ignitis group

2023
Integrated Annual Report

Integrated Annual Report 2023

Our Integrated Annual Report 2023 contains all relevant reports, which can be accessed through the links on the right side.

In accordance with European Single Electronic Format (ESEF) requirement, the Group's Integrated Annual Report 2023 is published as an XHTML tagged document here. For all intents and purposes, other than the XHTML document is considered as nonofficial version and ESEF version prevails in case of any questions or conflicts.

Our purpose is to create a 100% green and secure energy ecosystem for current and future generations

Renewables-Focused Integrated Utility

GREEN	FLEXIBLE	INTEGRATED	SUSTAINABLE
Growing green capacities: 4–5 GW green and flexible capacity by 2030	Creating a flexible system that is able to operate on 100% green energy in short, medium, and long term	Utilising the integrated business model to enable green and flexible generation build-out	Maximising sustainable value: Net zero by 2040–2050

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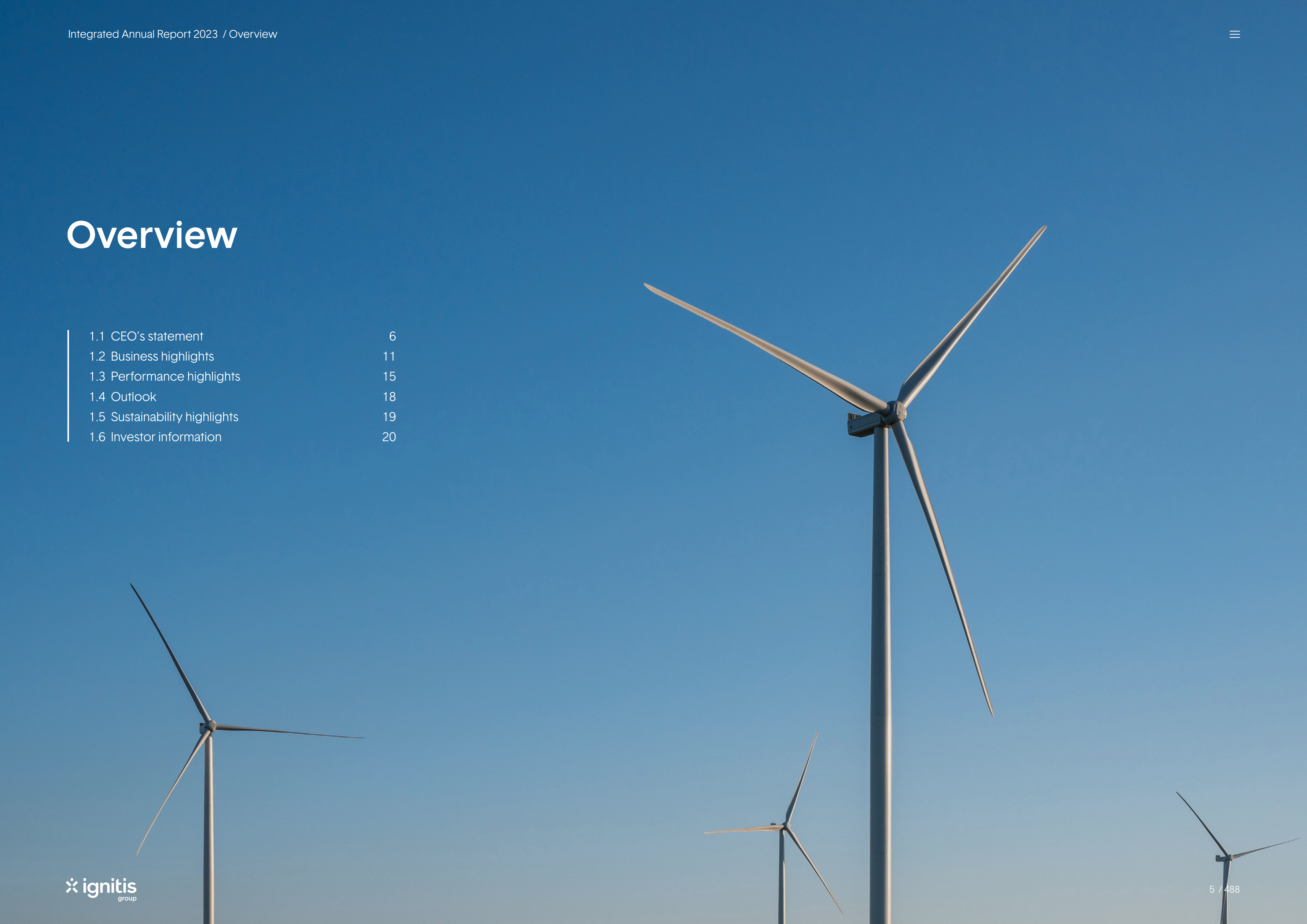


Overview

1.1 CEO's statement

Highlights

Performance

Our Adjusted EBITDA amounted to EUR 484.7 million (+3.3% YoY) and exceeded our full-year guidance range (EUR 430–480 million).

Adjusted EBITDA growth was recorded across all business segments except Green Generation. Despite this, the Green Generation segment remains the largest contributor with a 45.9% share of our total Adjusted EBITDA.

Our Investments increased by 79.6% YoY and reached a record high level of EUR 937.1 million.

S&P Global Ratings affirmed 'BBB+' (stable outlook) credit rating.

In line with our Dividend Policy, we intend to distribute a dividend of EUR 1.286[1] per share for 2023, corresponding to EUR 93.0 million and a yield of 6.8–6.9% for ordinary registered shareholders and global depositary receipt holders (based on year-end closing prices).

For 2024, we expect Adjusted EBITDA to be in the range of EUR 440–470 million and Investments in the range of EUR 850–1,000 million.

Business development

Since the beginning of 2023, our Green Generation Portfolio increased to 7.1 GW (from 5.1 GW), Secured Capacity to 2.9 GW (from 1.6 GW) and Installed Capacity to 1.3 GW (from 1.2 GW).

We achieved a number of significant milestones in the expansion and development of our Green Generation Portfolio, including:

- the Group, together with its partner Ocean Winds, were confirmed as the winners of the 700 MW Lithuanian offshore wind tender;
- the Group, together with its partner Copenhagen Infrastructure Partners, secured the seabed sites (Liivi 1&2) for the expected capacity of 1–1.5 GW in the Estonian offshore wind tender;
- Mažeikiai WF (63 MW) has reached COD in August 2023;
- Vilnius CHP biomass unit reached partial COD for the capacity of 50 MWe and 149 MWth (out of 73 MWe, 169 MWth) in December 2023;
- Silesia WF I (50 MW) in Poland supplied first power to the grid;
- the Group made a Final Investment Decisions for Latvian solar portfolio I (239 MW) and Kruonis PSHP expansion project (110 MW);

[1] A dividend of EUR 1.286 per share for 2023 comprises of a dividend of EUR 0.643 paid for H1 2023 and a proposed dividend of EUR 0.643 for H2 2023, which is subject to the decision of our Annual General Meeting of Shareholders to be held on 27 March 2024.

Darius Maikštėnas
Chair of the Management Board and CEO

- the Group signed the largest external 10- year corporate PPA with Umicore Poland Sp. Z o. o. It covers a substantial part of the expected electricity production of Silesia WF II (137 MW);
- Moray West offshore wind project (882 MW) has reached the financial close.

On the Networks front, the WACC methodology was updated in July 2023, which entered into force from 2024. For 2024, this update has resulted in an electricity WACC increase to 5.09% (from 4.17% in 2023) and a natural gas WACC increase to 5.03% (from 3.99% in 2023). In addition, the total number of installed smart meters exceeded 700 thousand.

In the Customers & Solutions business segment, we approved a plan to invest up to EUR 115 million in the development of an EV charging network in the Baltics over the next 3–5 years.

Sustainability

Our Taxonomy-aligned share of Adjusted EBITDA amounted to 61.4%.

Our Green Share of Generation (electricity) accounted for 85.0% of the total generation.

Scope 1 and Scope 2 GHG emissions decreased by 1.8% and 15.6% respectively, while total emissions amounted to 5.29 million t CO_2-eq and increased by 2.5% YoY.

GHG emissions intensity from power generation increased by 27 g CO_2e/kWh YoY to 228 g CO_2e/kWh due to the start of operations of Vilnius CHP biomass unit and higher generation in Reserve Capacities segment.

No fatal accident occurred and employee Total recordable injury rate for employee was 0.79, for contractors – 0.93, both well below the targeted level. eNPS remained high at 57.5%.

Guidance beat, all time high investments and largest renewable energy projects in the Baltics secured

Performance

In 2023, the Group's Adjusted EBITDA amounted to EUR 484.7 million, with an increase of 3.3% YoY, and exceeded our guidance communicated to the market (EUR 430–480 million). Adjusted EBITDA growth was recorded across all business segments except Green Generation. Despite this decline, Green Generation remained the largest contributor with 45.9% share of our total Adjusted EBITDA.

Higher Reserve Capacities segment's result was related to commercial activities, driven by utilised optionality to earn additional return in the market on top of regulated return.

On the Networks front, Adjusted EBITDA in 2023 grew mainly due to higher RAB, which is increasing as a result of continued Investments into distribution network.

Customers & Solutions segment's Adjusted EBITDA increased in both electricity and natural gas supply activities. Electricity B2B segment turned profitable in 2023, after experiencing significant losses in 2022, mainly due the ineffective hedging issue, which is now resolved. Natural gas business recorded a positive effect from adjusted methodology for calculation of income related to consumer over-declaration.

The decrease in Green Generation segment's result was primarily influenced by lower captured electricity prices, mainly due to overall lower electricity market prices and the CfD subsidy scheme applied to Pomerania WF in Poland.

The Group's Investments in 2023 increased by 79.6% and reached a record high level of EUR 937.1 million. More than half of the Investments were made in the Green Generation segment, which, in turn, more than doubled and reached EUR 542.7 million, with the majority of the Investments directed towards new onshore wind farms in Lithuania and Poland. Additionally, Investments in the Networks segment increased by 29.4% YoY to EUR 346.8 million as a result of a higher number of new connection points and upgrades in the electricity distribution grid as well as higher contractor fees.

Regarding the balance sheet strength, despite the increase in Net Debt, our leverage metrics remained strong. The Group's Net Debt increased by 33.5% (EUR 1,317.5 million as of 31 December 2023 compared to EUR 986.9 million as of 31 December 2022), mainly due to negative FCF, which was influenced by high Investments. Our FFO/Net Debt ratio remained at a solid level of 29.4% (compared to 49.1% as of 31 December 2022).

Also, in October 2023 an international credit ratings agency, S&P Global Ratings, affirmed 'BBB+' (stable outlook) credit rating following its annual review. This credit rating affirmation confirms that we follow through on our goals, ensure that our finances are sustainable and are prepared to implement our investment plan.

Finally, in terms of return to shareholders, we remain committed to our Dividend Policy. For 2023, we intend to distribute a dividend of EUR 1.286 per share, corresponding to EUR 93.0 million, and a yield of 6.8–6.9 % for ordinary registered shareholders and global depositary receipt holders (based on year-end closing prices). It is important to note that a dividend of EUR 0.643 per share (out of EUR 1.286) for H2 2023 is subject to the decision of our Annual General Meeting of Shareholders to be held on 27 March 2024.

For 2024 we expect our Adjusted EBITDA to be in the range of EUR 440–470 million. We assume that Adjusted EBITDA of our largest segment, Green Generation, will increase, mainly influenced by Silesia WF I and II in Poland reaching COD in 2024. Additionally, we expect Adjusted EBITDA growth in our second largest segment, Networks, mainly as a result of approved higher WACC. Also, for 2024 we expect our Investments to be in the range of EUR 850–1,000 million.

Business development

2023 marked a year of breakthroughs as we entered the offshore wind development market and reached significant milestones in the development our Green Generation Portfolio across all project phases, thus supporting the achievement of our strategic goals.

The Group's Green Generation Portfolio increased by 2.0 GW to 7.1 GW (from 5.1 GW) as a result of the acquisition of onshore wind development projects (Kelmė WF I & II) in Lithuania with a total capacity of 0.3 GW, the secured seabed sites (Liivi 1&2) for the expected capacity of 1–1.5 GW in the Estonian offshore wind tender and the greenfield capacity additions of around 0.7 GW.

Our Secured Capacity grew by 1.4 GW to 2.9 GW (from 1.6 GW) as number of projects, including Latvian solar portfolio I (239 MW), Kelmė WF I (105.4 MW) and Kelmė WF II (194.6 MW), Kruonis PSHP expansion project (110 MW) and Tauragė solar project (22.1 MW), reached the construction stage, and the 700 MW Lithuanian offshore WF project reached the awarded/contracted stage.

Additionally, two projects under construction were completed as Mažeikiai WF (63 MW) in Lithuania reached COD in August 2023, and Vilnius CHP biomass unit achieved partial COD for the capacity of 50 MWe and 149 MWth (out of 73 MWe, 169 MWth) in December 2023. However, due to ongoing final testing procedures, achievement of COD for the remaining capacity of 23 MWe and 20 MWth is ongoing.

In addition, there are a few areas on the development front worth mentioning separately. We made substantial progress in the offshore wind development area. In July 2023, together with the strategic partner for the development of offshore wind farm projects, Ocean Winds, we participated in the first-ever 700 MW Lithuanian offshore wind tender. During the real time bidding process, we submitted the highest development fee of EUR 20 million and were confirmed as the winners of the tender.

On top of that, we entered into another partnership with Copenhagen Infrastructure Partners to participate in the upcoming Estonian and Latvian offshore wind tenders, and we have already successfully participated in two Estonian offshore wind tenders, after placing the highest bid of EUR 2.9 million in total. First, we secured the Liivi 2 seabed site in December 2023. After the reporting period, we secured the second seabed site, Liivi 1, which we see as a natural extension of the Liivi 2 site, allowing for a greater synergy and optimisation while developing the sites as a single offshore wind project. While the theoretical potential capacity of both sites is calculated to be 2.3 GW, depending on the environmental impact assessment results, site optimisation as well as other factors, the actual capacity of the offshore wind farm is expected to be 1–1.5 GW. The Group currently includes the minimum size (1 GW) of the actual capacity in the Portfolio. The project is expected to become operational around 2035.

By securing an offshore project in Lithuania with COD until 2030 and another one in our home markets with COD post-2030, we have achieved the Group's strategic goal and made a significant step towards increasing our Green Generation installed capacity 4 times from 1.2 GW in 2022 to 4–5 GW by the end of 2030.

Another highlight in 2023 relates to the conclusion of the largest external 10-year corporate PPA for the supply of renewable electricity to Umicore Poland's electric vehicle battery materials plant in Nysa, Poland. It covers a significant portion of the expected electricity production of Silesia WF II (137 MW), which is currently under construction in southwestern Poland. The conclusion of the PPA is a strategic milestone for us, supporting our commitment to providing green and flexible energy solutions and enhancing the Group's ability to deliver consistent supply of clean energy to

Our Adjusted EBITDA exceeded full-year guidance and amounted to EUR 484.7 million. For 2024, we expect Adjusted EBITDA to be in the range of EUR 440–470 million.

to deliver consistent supply of clean energy to partners in the Baltic states and Poland.

Regarding the Networks segment, we would like to highlight two significant events. The first was the WACC methodology update for electricity and natural gas activities, which took place in July 2023 and entered into force from 2024. Specifically, this update has resulted in an electricity WACC increase to 5.09% (from 4.17% in 2023) and a natural gas WACC increase to 5.03% (from 3.99% in 2023). The second is the successful implementation of the smart meter roll-out. In 2023, the total number of installed smart meters reached around 729 thousand. Our target of completing the mass roll-out by the end of 2025 remains unchanged.

Finally, on the Customers & Solutions front, we approved a plan to invest up to EUR 115 million in the development of an EV charging network in the Baltics over the next 3–5 years.

Sustainability

Our commitment to sustainability remains a cornerstone of our strategy, with an intensified focus on health and safety, and steadfast progress towards decarbonisation. Our approach is holistic and incorporates environmental, social, and economic dimensions as we navigate the evolving landscape of energy transition towards a more sustainable world.

We are proud to present our latest Sustainability report, which is integrated into this document and aligned with best practices and Global Reporting Initiative (GRI) standards, reflects our ongoing commitment to transparency and provides stakeholders with a comprehensive view of our achievements and future directions. Our Sustainability report includes disclosures made on a materiality basis and highlights our progress in implementing the United Nations Global Compact (UNGC) principles and our contributions to the United Nations Sustainable Development Goals (SDGs). Furthermore, we are on our way to align with the requirements of the Corporate Sustainability Reporting Directive (CSRD) and integrate the European Sustainability Reporting Standards (ESRS), thus showcasing our commitment to leading sustainability reporting frameworks. Additionally, the report features a detailed assessment of our compliance with the EU Taxonomy Regulation, underlines our dedication to meeting rigorous environmental standards and contribution to sustainable economic activities as outlined by the European Union. For the first time, we provide a voluntary limited assurance from KPMG on the selected sustainability indicators in the Sustainability report.

Reflecting on the year 2023, which we designated as the 'Year of Safety', we have made remarkable progress in the occupational health and safety (OHS) area. We are pleased to report that our diligent efforts resulted in a year with no fatalities and only a small number of injuries, a significant improvement from previous years. This success can be attributed to the implementation of the 'Is it Safe?' programme, which focused on extensive training, heightened awareness and enhanced communication and management practices in OHS, including collaborations with our contractors.

Additionally, we have placed significant emphasis on employee mental health and wellbeing, recognising that they are paramount. Our innovative 'Well-being Mentors' project has expanded, now involving a larger number of mentors. We are particularly proud of the increased participation of male mentors, reflecting a more diverse and inclusive approach. This expansion underscores our unwavering commitment to supporting the emotional and psychological health of our employees. As we progress into 2024, we remain dedicated to building upon these strong foundations and continuously striving to achieve even higher standards in employee health, safety and wellbeing.

Over the past year, our journey towards decarbonisation has been strategic and impactful, with a focus on identifying key areas for action, implementing targeted measures and meticulously monitoring their impact. In 2023, the Group reported a total of 5.29 million tonnes of CO_2 equivalent in greenhouse gas (GHG) emissions. Throughout this period, the Group responsibly managed its environmental impact, and this steadfast commitment to sustainability is evident in our reductions in different emission scopes. We observed a 1.8% decrease in Scope 1 emissions and an 15.6% reduction in Scope 2 emissions compared to 2022. These targeted decreases highlight our ongoing efforts to refine

> **Since the beginning of 2023, our Green Generation Portfolio increased to 7.1 GW (from 5.1 GW), Secured Capacity to 2.9 GW (from 1.6 GW) and Installed Capacity to 1.3 GW (from 1.2 GW). In total, our Investments increased by 79.6% YoY and reached a record high level of EUR 937.1 million. For 2024, we expect Investments to be in the range of EUR 850–1,000 million.**

our operations and contribute to a more sustainable future, even as we navigate the complexities of managing the overall emissions.

As we intensify our efforts, our commitment extends to strengthening our decarbonisation activities. We are ambitiously aiming for net zero emissions between 2040 and 2050. A critical component of this strategy is the expansion of our Green Generation segment, dedicated to renewable energy development. This plays a pivotal role in our accelerated decarbonisation efforts, aligns with our long-term sustainability goals and reinforces our position as a leader in environmental efforts within the industry.

In 2023, we have continued our efforts in evaluating our suppliers according to our Supplier Code of Ethics, an important step in promoting sustainable and ethical business practices throughout our supply chain. This ongoing process is essential in ensuring that our collective impact is both positive and far reaching.

In addition to these evaluations, we have conducted several educational activities and events aimed at reinforcing these principles. Notably, one of these events focused on setting climate targets and providing valuable insights and guidance to our suppliers. These initiatives are part of our commitment to fostering a more sustainable and ethically conscious business environment both within our operations and across our broader supply chain.

Also, in 2023 we upheld our status as a Top Employer, demonstrating our consistent dedication to exemplary corporate governance and employee wellbeing. Our focus this year has been on enhancing our sustainability initiatives.

Finally, we are proud to announce that our unwavering commitment to sustainability continues to be recognised, as evidence we received a high 'B' rating from CDP, reflecting our ongoing effectiveness in climate change mitigation and adaptation. This year, we've also achieved several high evaluations in other ESG ratings, further solidifying our position as a leader in addressing significant sustainability risks.

Looking ahead

Our purpose to create a 100% green and secure energy ecosystem for current and future generations is marked by our continuous efforts and reflected in both our strategic and financial performance. Our performance affirms our commitment to sustainability and value creation for our shareholders and the society. While embracing a forward-thinking approach, we remain committed to leading the energy transition in our home markets.

Darius Maikštėnas
Chair of the Management Board and CEO

Tauragė wind farm, Lithuania

1.2 Business highlights

January

Green Generation:
- The first power was supplied to the grid by our Mažeikiai WF (63 MW) in Lithuania.

Reserve Capacities:
- We won a Polish capacity mechanism auction for ensuring a 250 MW capacity availability in 2027 for approximately EUR 16 million.

Governance:
- For the second year in a row, the international Top Employer 2023 Lithuania Certificate was awarded to the Group.

February

Green Generation:
- Ignitis Ignitis Renewables Board members have been re-elected for a new term. The company's Board comprises three members, all of them were re-elected for the second term.

March

Green Generation:
- Hot tests were started in Vilnius CHP biomass unit (73 MWe, 169 MWth).

Finance:
- The Group concluded financing agreements for a total of EUR 300 million. Out of the EUR 220 million loan granted by Swedbank, EUR 85 million was allocated to finalise the construction works of Vilnius CHP biomass unit (Green Generation), and the remaining EUR 135 million was used to refinance Vilnius CHP's loan granted by EIB, which the Group took over to finance renewables capacity expansion. Additionally, a credit line agreement of up to EUR 80 million was concluded with Swedbank to ensure working capital needs.

Governance:
- The AGM was held on 30 March, where the resolutions, among others, on the allocation of profit for 2022 (EUR 1.248 DPS, or EUR 90.3 million, in total) and the aid to Ukraine (EUR 12 million), were passed.

April

Green Generation:
- The Group made a Final Investment Decision regarding a 110 MW expansion project (5th unit) in Kruonis PSHP. The planned investments into all project-related activities are around EUR 150 million and the project's COD is expected to take place by the end of 2026. In addition, contracts with a consortium of contractors that won the tender as well as FIDIC for engineering and maintenance services were concluded.
- Moray West offshore WF project (882 MW), with expected COD by the end of 2025, reached the financial close. The project is owned by Ocean Winds and the Group (a minority shareholder with a stake of 5%). The GBP 2 billion secured for the project's financing are being used to secure the remaining elements of the supply chain for offshore installation works.

Finance:
- The Group secured a credit facility with Citibank N.A. London Branch for EUR 100 million to manage working capital needs.
- In line with the Dividend Policy, for H2 2022 a dividend of EUR 0.624 per share, corresponding to EUR 45.2 million, was distributed.

May

Governance:
- An updated Letter of Expectations was received from the Ministry of Finance of the Republic of Lithuania (Majority Shareholder). The letter expresses the Majority Shareholder's expectations regarding the continuity of the Group's strategic objectives.

Strategy:
- The Group announced an updated strategy and Strategic plan 2023–2026 as well as long-term incentive plan targets.

Finance:
- The Group secured two credit facilities with MUFG Bank (Europe) N.V. and MUFG Bank (Europe) N.V. Germany Branch for a total of EUR 225 million to manage working capital needs.

June

Green Generation:
- A conditional agreement for an acquisition of onshore WFs in Lithuania (Kelmė WF I & II) with targeted total capacity of 300 MW and expected COD in 2025 has been concluded.
- The first heat was supplied to the grid by Vilnius CHP biomass unit (73 MWe, 169 MWth).

Innovation:
- Smart Energy Fund outperformed its total investments of EUR 11.4 million and at that time has generated a return of EUR 15.6 million by selling part of the company shares in its portfolio. The obtained funds are being used to further invest in innovative start-ups through the second fund, World Fund, which the Group joined on 13 July 2023.

Governance:
- The governance model of Ignitis (Customers & Solutions) was optimised by changing it from a two-tier to a one-tier model and appointing two new members – Roger Hunter and Toma Sasnauskienė. Now the Ignitis Board with a supervisory function comprises 5 members: 2 independent members, 2 shareholder representatives, and 1 civil servant.

July

Networks:
- NERC has approved the amendments to the methodology for determining electricity and natural gas WACC, entering into force from 2024.

Customers & Solutions:
- The Group announced its plans to invest up to EUR 115 million in the development of the EV charging network in the Baltics over 3–5 years.

August

Green Generation:
- The Group and Copenhagen Infrastructure Partners entered a partnership to participate in the upcoming Estonian and Latvian offshore wind tenders.
- Mažeikiai WF (63 MW) in Lithuania has reached COD.

Networks, Customers & Solutions:
- 2024 WACC for electricity and natural gas has been approved. For 2024, electricity WACC increased to 5.09% (from 4.17% in 2023) and natural gas WACC increased to 5.03% (from 3.99% in 2023).

September

Green Generation:
- A settlement agreement has been signed between Vilnius CHP and Rafako, a former contractor of the biomass unit. Under the terms and conditions of the agreement, the Group is being compensated almost EUR 30 million. In addition, almost EUR 2 million has already been recovered the form of equipment and documents.
- Anu Eslas, an executive with international experience in offshore and onshore wind business development, has joined Ignitis Renewables and will oversee international business development.

Customers & Solutions:
- The Group and Baltisches Haus, a company that develops and manages commercial real estate (mainly retail stores) throughout Lithuania, have entered into a strategic partnership agreement to provide at least 110 public charging points for electric vehicles in 15 cities across Lithuania.

Sustainability:
- Global ESG rating agencies updated the Group's ESG ratings: ISS ESG – to 'B-' from 'C', MSCI remains at 'AA'. The updated EcoVadis rating for Ignitis remains at 78 out of 100. These ratings place the Group among the top peers globally.

Innovation:
- The Group confirmed an investment of around EUR 25 million into start-ups focused on energy and climate change solutions through a venture capital fund, World Fund.

Finance:
- The Group extended three short-term credit lines with AB SEB bankas, AS SEB Pank, AS "SEB Banka", and OP Corporate Bank plc Lithuanian branch for a total amount of EUR 344 million to manage working capital needs and maintain adequate liquidity of the Group.

Governance:
- An EGM was held on 21 September, where resolutions, such as allocation of dividends for H1 2023 (EUR 0.643 DPS, or a total of EUR 46.5 million), were passed.

October

Green Generation:
- The Group, together with its partner Ocean Winds, were confirmed as the winners of the 700 MW Lithuanian offshore wind tender after submitting the highest bid of EUR 20 million.
- Vilnius CHP biomass unit (73 MWe, 169 MWth) started to generate and supply heat to Vilnius.
- The Group and Umicore Poland Sp. Z o. o. signed the largest external 10-year corporate PPA. It covers a substantial part of the expected electricity production of Silesia WF II, currently under construction, with total capacity of 137 MW.
- The Group completed the acquisition of Kelmė WF I & II in Lithuania with up to 300 MW capacity.

Networks:
- The regulator (NERC) has set the income level for electricity distribution services in 2024 at EUR 318.04 million.

Sustainability:
- The Group was acknowledged as the best company for sustainability reporting at the Corporate ESG Awards 2023. Besides that, the Group was also a finalist in three other categories: Best company for climate transition (finalist); Best company for diversity, equity and inclusion (finalist); Best company for ESG & sustainability (finalist and runner-up).

Finance:
- In line with the Dividend Policy, for H1 2023 a dividend of EUR 0.643 per share, corresponding to EUR 46.5 million, was distributed.
- The Group extended three short-term credit lines with Citibank N.A. London Branch and Citibank Europe plc for a total amount of EUR 150 million. An additional credit line of EUR 70 million was concluded with Swedbank AB.
- S&P Global Ratings affirmed 'BBB+' (stable outlook) credit rating.

Governance:
- For the fifth consecutive year, the Group has been awarded the highest 'A+' governance rating in Lithuania and acknowledged as the leader in the category of large SOEs in the Good Corporate Governance Index.

Regulatory:
- The European Commission has approved EUR 193 million support scheme to foster the development of offshore wind farms.
- The European Council has agreed on a general approach for changes to the European Union's Electricity Market Design. The aim is to make electricity prices less dependent on volatile fossil fuel prices, protect consumers from price spikes, speed up the energy transition and improve consumer protection. Among the measures agreed on are the promotion of power purchase agreements (PPAs), two-way contracts for differences (CfDs) for new power plants, the establishment of a capacity mechanism by member states with no limits on CO_2 emissions until the end of 2028, the establishment of a free choice of electricity supplier, etc.
- The Balticconnector, a natural gas link between Estonia and Finland, was shut down due to the potential leak in the undersea pipeline.

November

Green Generation:
- The Group made the Final Investment Decision regarding the Latvian solar portfolio I (239 MW).
- The Group appointed Fugro to conduct a seabed survey for the Lithuanian offshore WF (700 MW) site.

December

Green Generation:
- The Group, together with its partner CIP, won the first seabed site (Liivi 2) in Estonia's offshore wind tender after submitting the highest bid of EUR 1.7 million.
- Vilnius CHP biomass unit reached partial COD for the capacity of 50 MWe and 149 MWth (out of total 73 MWe, 169 MWth).
- The Group concluded a EUR 64 million non-resource project financing agreement with the EIB and NIB for Mažeikiai WF. It covers around 75% of the total investment in Mažeikiai WF.

Finance:
- The Group has increased a credit line limit with OP Corporate Bank plc Lithuanian branch to EUR 150 million (from EUR 74 million). As at 31 December 2023, the Group has secured credit lines for a total amount of EUR 845 million, with EUR 211 million utilised to manage working capital needs and maintain adequate liquidity.

Regulatory:
- The European Council and Parliament have agreed on common market rules for renewable energy, natural gas, and hydrogen, aimed at reducing dependence on imported fossil fuels while enabling the development of renewable energy and low-carbon gases.
- The European Union Agency for the Cooperation of Energy Regulations (ACER) has reached an agreement that there is no need for an alternative electricity bidding zone configuration in the Baltic States.
- A Political Declaration was signed between the European Commission and representatives of the governments of the Baltic States and Poland, confirming the synchronisation of the Baltic States' electricity grid to continental Europe via Poland by February 2025. Importantly, an alternative onshore design of the Harmony Link interconnector has been endorsed, thus adding security and resilience to the grid, and in turn avoiding cost over-runs and construction delays.

After the reporting period

Green Generation:
- The Group, together with its partner CIP, won the second seabed site (Liivi 1) in Estonia's offshore wind tender after submitting the highest bid of EUR 1.2 million.
- Silesia WF I (50 MW) in Poland supplied first power to the grid.

Networks:
- ESO has agreed with the regulator (NERC) to amend the repayment schedule of the EUR 160 million regulatory difference to 2024–2031 (from 2024–2036). In this regard, NERC upgraded the methodology for calculating the additional tariff component and linked it to the leverage level cap of 5.5x (ESO net debt/ ESO adjusted EBITDA, both calculated based on NERC approved methodology), which means that if ESO's leverage level exceeds the predetermined cap, the additional tariff component will increase proportionally.

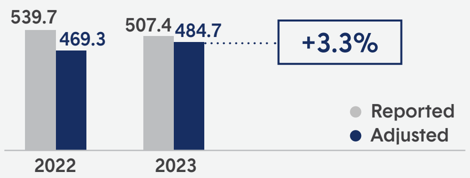
Reserve Capacities:
- For the first time, units 7, 8 and CCGT of Elektrėnai Complex were operating simultaneously and, together with Kruonis PSHP and Kaunas HPP (Green Generation), supplied electricity to customers and covered more than 65% of the national electricity demand.

Governance:
- Bent Christensen resigned as an independent member of the Group's Supervisory Board.

1.3 Performance highlights

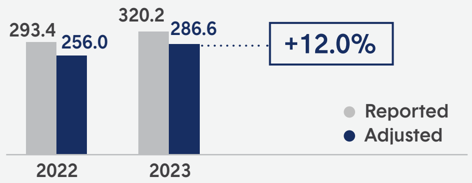
Financial

EBITDA APM
EURm



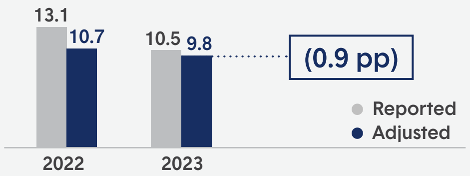
Adjusted EBITDA growth was recorded across all business segments except Green generation. However, the Green Generation segment remains the largest contributor to Adjusted EBITDA (EUR 222.6 million, or 45.9% of the Group's total).

Net profit APM
EURm



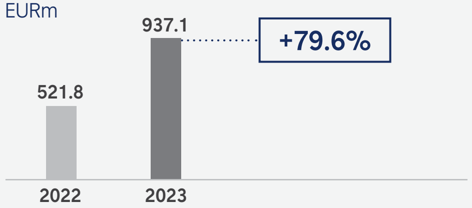
Adjusted Net Profit increase was driven by Adjusted EBITDA growth, higher interest income and lower income tax expenses. The increase was partly offset by higher depreciation and amortisation and interest expenses. The reported net profit increase was partially related to the successful Smart Energy Fund's activities.

ROCE LTM APM
%



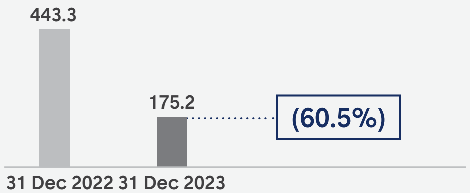
Adjusted ROCE LTM decreased to 9.8%, mainly due to the lag between the deployment of capital in investments and the subsequent realisation of returns. Due to the significant investments made, the average Capital Employed increased by 13.0% from EUR 2,962.8 million to EUR 3,346.7 million, while Adjusted EBIT increased by 3.8%, from EUR 317.4 million to EUR 329.5 million.

Investments APM
EURm



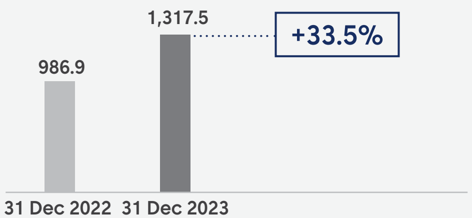
In 2023, Investments have increased significantly. More than half of the Investments were made in the Green Generation segment (57.9% of total Investments), which more than doubled and amounted to EUR 542.7 million, with the majority directed to onshore wind farms. Additionally, Investments in the Networks segment increased by 29.4% to EUR 346.8 million as a result of a higher number of new connections and upgrades in the electricity distribution grid as well as higher contractor fees.

Net Working Capital APM
EURm



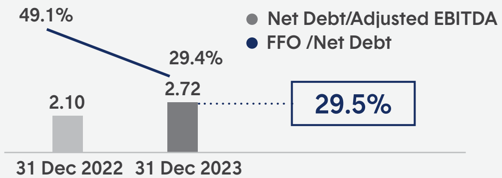
Net Working Capital decreased by 60.5%. The main drivers for the change were lower market prices for electricity and natural gas, which resulted in a decrease in inventory, trade receivables, prepayments and signed trade financing agreements.

Net Debt APM
EURm



Net Debt increased by 33.5% due to negative FCF (EUR -212.4 million) and dividends paid (EUR 91.7 million) EUR. Negative FCF was mainly driven by the growth in Investments.

Net Debt/Adjusted EBITDA, FFO/Net Debt APM
Times, %



FFO/Net Debt ratio decreased to 29.4% due to higher Net Debt and lower FFO. In 2023 FFO amounted to EUR 387.4 million, while in 2022 amount to EUR 484.1 million.

Results comparison with the outlook for 2023

Adjusted EBITDA APM, EURm

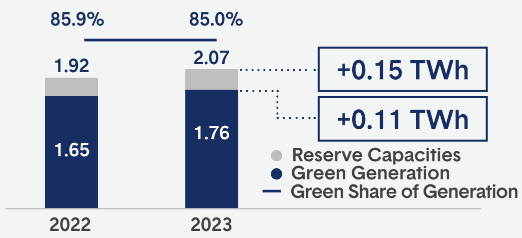
Guidance 2023 (28 Feb 2023)	430–480
Guidance 2023 (23 May 2023)	430–480
Guidance 2023 (22 Aug 2023)	430–480
Guidance 2023 (21 Nov 2023)	430–480
Realised 2023	484.7

Adjusted EBITDA amounted to EUR 484.7 million and exceeded our guidance communicated to the market (EUR 430-480 million). The outperformance was observed across all business segments with Reserve Capacities exceeding expectations the most, influenced by better market conditions (favourable clean spark spread) during Q4 2023.

ESG

Electricity Generated (net), Green Share of Generation

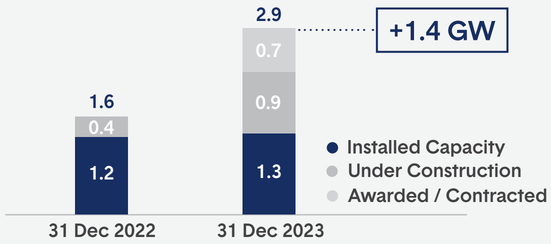
TWh, %



A 0.15 TWh, or 7.6%, increase in Electricity Generated (net) was driven by generation in Mažeikiai WF, which reached COD in August 2023. The Green Share of Generation decreased by 1.0 pp to 85.0%, due to proportionally higher electricity generation in CCGT (Reserve Capacities).

Secured Capacity

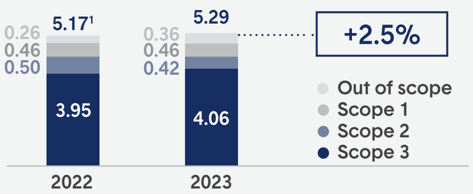
GW



Green Generation Secured Capacity increased to 2.9 GW (from 1.6 GW) as a number of projects, including Latvian solar portfolio I (239 MW), Kelmė WF I (105.4 MW) and Kelmė WF II (194.6 MW), Kruonis PSHP expansion project (110 MW), and Tauragė solar project (22.1 MW) reached the construction phase and 700 MW Lithuanian offshore WF project reached the Awarded / Contracted phase. Installed Capacity increased to 1.3 GW (from 1.2 GW) as Mažeikiai WF (63 MW) in Lithuania reached COD in August 2023, and Vilnius CHP biomass unit achieved partial COD (for the capacity of 50 MWe, 149 MWth out of 73 MWe, 169 MWth) in December 2023.

Climate action

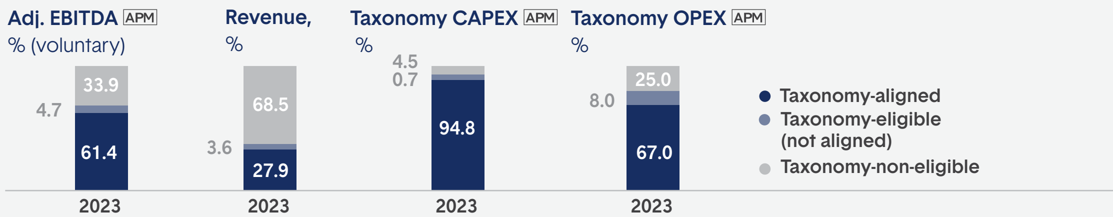
GHG emissions, million t CO_2-eq



The Group's market-based GHG emissions rose by 2.5% compared to 2022, mainly due to a 39.4% increase in out of scope (biogenic) emissions from starting the Vilnius CHP biomass unit. Electricity sales growth and higher emission factors led to a 2.8% rise in Scope 3 emissions. Despite higher emission factors, Scope 2 emissions dropped 15.6% through using renewable energy guarantees for some electricity distribution losses (meeting green public procurement requirements). Scope 1 emissions fell by 1.8%.

Sustainable finance

%

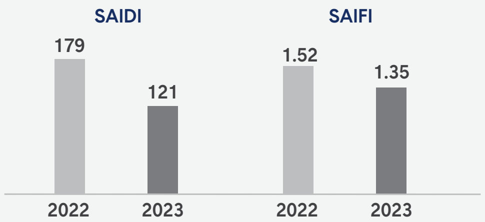


In 2023, the increase was observed in the share of Revenue (+7.0 pp), Taxonomy CAPEX (+4.8 pp) and Taxonomy OPEX (+2.1 pp) generated by business activities aligned with EU Taxonomy Regulation, while the share of Adjusted EBITDA (-11.4 pp) decreased compared to the previous year. The decrease in the share of Adjusted EBITDA contributed by Taxonomy-aligned activities was mainly related to the better result of the activities, which are Taxonomy-non-eligible and the lower result of the Green Generation segment.

[1] *2022 emissions indicators differ from those in our Annual report 2022 due to revised calculations.*

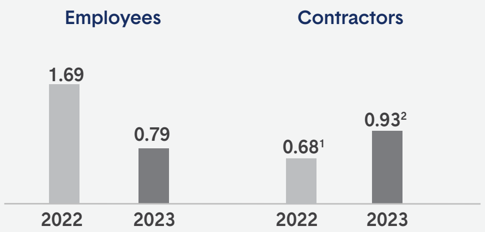
ESG (cont.)

Network quality (electricity)
SAIDI, min/SAIFI, units



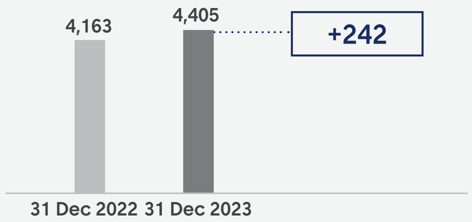
Electricity quality indicators improved YoY significantly, due to higher number of installed automatic solutions, management of staff levels based on weather forecast, and more favourable weather conditions during the first half of the year.

Safety
TRIR



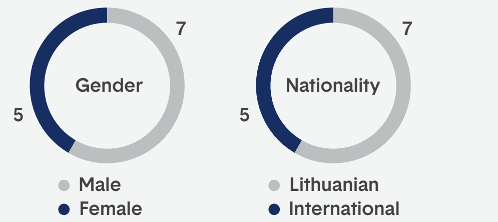
The YoY total recordable injury rate (TRIR) for employees improved to 0.79 as the number of safety incidents decreased from 12 to 6, out of which one was life threatening. 7 contractor TRIR incidents occurred during 2023. No fatal accidents were recorded in 2023, and 3 fatal accidents were recorded in 2022, between employees and contractors.

Number of employees
Headcount



The Group's headcount increased by 242, or 5.8%. The employee growth was driven by the Green Generation segment in efforts to facilitate the growing renewables Portfolio.

Supervisory and Management Boards
Nationality and gender diversity



As of 31 December 2023, the main governing bodies of the Group were represented by 42% female and 42% international members. A Supervisory Board member, Bent Christensen, resigned on 4 January 2024.

[1] 2022 contractor TRIR indicator covers a period from June to December 2022, as we started measuring contractor TRIR in June 2022.
[2] Contractor TRIR indicator only includes contracts above 0.5 EURm/year.

1.4 Outlook

Adjusted EBITDA guidance

For 2024 we expect our Adjusted EBITDA to be in the range of EUR 440–470 million driven by our two largest segments Green Generation and Networks.

The guidance does not include any gains from asset rotation.

Green Generation – higher

Adjusted EBITDA for Green Generation segment is expected to increase, due to new projects reaching COD in 2024, mainly Silesia WF I and II in Poland. Partly offset by lower power prices.

Networks – higher

Adjusted EBITDA for the Networks segment is expected to increase mainly as a result of approved higher WACC. Approved weighted average WACC for 2024 is 5.08% (+0.94% YoY).

Reserve Capacities – lower

Adjusted EBITDA for Reserve Capacities segment is expected to decrease compared to 2023 due to forecasted worse market conditions (less favourable clean spark spread).

Customers & Solutions – lower

Adjusted EBITDA result is expected to be lower mainly due to better than usual result in 2023.

Investments guidance

Our Investments for 2024 are expected to amount in the range of EUR 850–1,000 million, mainly driven by:

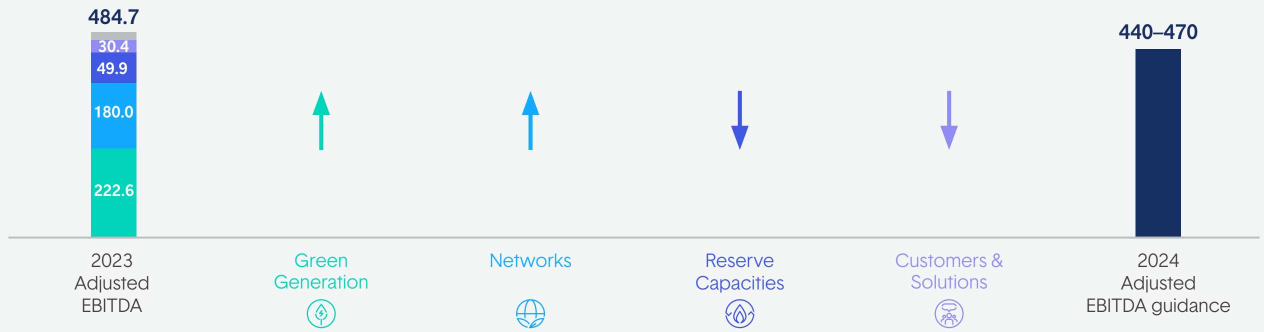
- Green Generation (Kelmė WF I and II; Latvian solar portfolio I and Kruonis PSHP expansion project);
- Networks due to expansion and maintenance of electricity network.

The guidance does not include M&A activities.

Forward-looking statements

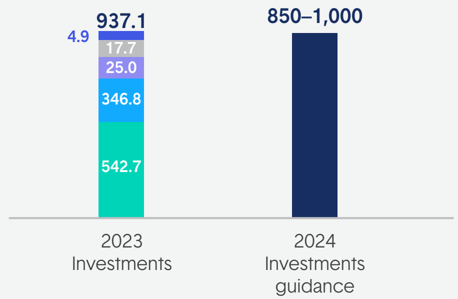
The interim report contains forward-looking statements. For further information, see section '7.9 Legal notice'.

Adjusted EBITDA APM guidance for 2024[1]
EURm



[1] *Adjusted EBITDA indication for the Group is the prevailing guidance, whereas directional effect per business segment serves as a mean to support it. Higher/stable/lower indicates the direction of the business segment's performance in 2024 relative to the actual results in 2023.*

Investments APM guidance for 2024,
EURm



1.5 Sustainability highlights

Key achievements in 2023

We adopt a comprehensive approach, encompassing all levels and functions, to integrate key sustainability principles throughout the Group. Our primary focus is on the strategic sustainability priorities within the environmental, social and governance (ESG) pillars.

In 2023, we achieved a reduction in our GHG emissions in Scope 1 and Scope 2 by 1.8% and 15.6% respectively. We prioritised the health and safety of our employees and contractors, which resulted in a year free from fatalities and with a minimal number of injuries. Overall employee satisfaction remained high in 2023, evidenced by 57.5% of our employees endorsing the Group as an employer. We launched several initiatives aimed at enhancing gender balance in the coming years. Our investment strategy is centred on creating sustainable value, evidenced by the proportion of our CAPEX aligned with the EU Taxonomy amounted to 94.8% and our sustainable Adjusted EBITDA share amounted to 61.4%.

We provide comprehensive details of all targets, initiatives and achievements across the Group in section '6. Sustainability report (Corporate social responsibility report)' of this report. Our Sustainability report has been accompanied for the first time with a voluntary limited assurance on selected sustainability indicators. Our consistent efforts contribute to our excellence in sustainability, as recognised in the ratings listed on the right. This positions the Group among the top utility peers globally.

ESG ratings and rankings

	ISS ESG	MSCI	SUSTAINALYTICS	CDP	ecovadis
Rank compared to utility peers	2nd decile	Top 40%[2]	Top 30%	Among 37% in Management level[3]	Top 4%[5]
ignitis group	**B- (Prime)** *Last rating change in September 2023 (improved)*	**AA (Leader)** *Last rating change in July 2021 (improved)*	**25.2 (Medium risk)** *Last rating change in October 2023 (downgraded)*	**B (Management)** *Last rating change in February 2024 (downgraded)*	**78 (Platinum)** *Last rating change in August 2023 (maintained)*
Utiities average	N/A	A[1,2]	31.6[1]	B[4]	N/A
Rating scale (worst to best)	D- to A+	CCC to AAA	100 to 0	D- to A	0 to 100

[1] Based on publicly available data. [2] MSCI utilities rank and average based on utilities included in the MSCI ACWI index. [3] Among 37% of companies that reached Management level in Energy utility networks. [4] In energy utility networks activity group. [5] In electricity, gas, steam and air conditioning supply industry. Assessment of the Group's subsidiary UAB "Ignitis" (Customers & Solutions)

Contributing to global initiatives

WE SUPPORT UN GLOBAL COMPACT

We are committed to adhering to the principles of the United Nations Global Compact

SUSTAINABLE DEVELOPMENT GOALS

Through our activities, we aim to contribute to the achievement of the Sustainable Development Goals of the United Nations

SCIENCE BASED TARGETS — DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

We are committed to reduce net GHG emissions to zero by 2040–2050 and have our near-term targets validated by the SBTi

UN WOMEN — United Nations Entity for Gender Equality and the Empowerment of Women

We signed the Women's Empowerment Principles to advance gender equality and women's empowerment

1.6 Investor information

Overview

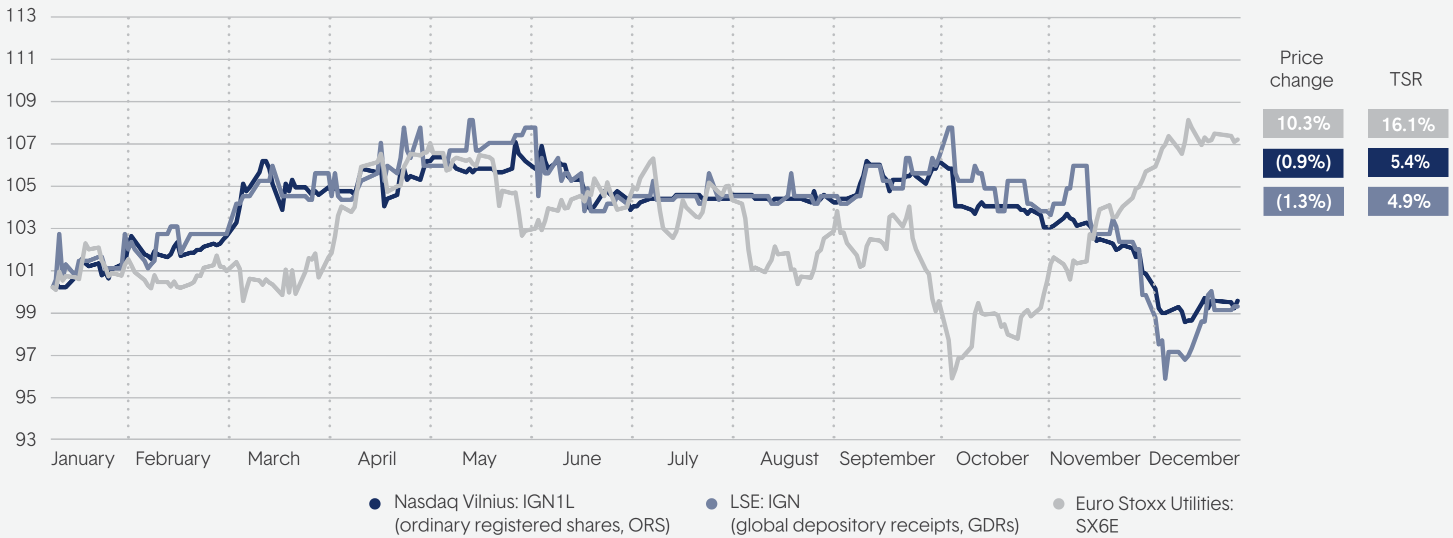
In 2023, the Group's ordinary registered shares (ORS) and global depositary receipts (GDRs) have generated a total shareholder return (TSR) of 5.4% and 4.9% respectively. During the same period, the TSR of our benchmark index (Euro Stoxx Utilities) equalled to 16.1%.

In 2023, the total (ORS and GDRs) turnover was EUR 84.31 million (EUR 63.30 million on Nasdaq Vilnius and EUR 21.01 million on London Stock Exchange, LSE), whereas the average daily turnover totalled to EUR 0.37 million (EUR 0.25 million on Nasdaq Vilnius and EUR 0.12 million on LSE).

At the end of the reporting period, the Group's market capitalisation was EUR 1.4 billion.

Currently, the Group is covered by 6 equity research analysts. Their recommendations and price targets are available on our website.

Price development in 2023[1], EUR



Shareholder return KPIs[2, 3]

	2023	2022	Δ	Δ, %
Dividends declared, EURm	93.0	90.3	*2.7*	*3.0%*
EPS APM, EUR	4.42	4.04	*0.38*	*9.4%*
DPS APM, EUR	1.29	1.24	*0.05*	*4.0%*
Dividend pay-out APM, %	29.1	30.8	*(1.7 pp)*	*n/a*
Dividend yield[4] APM, %				
For ORS owners	6.8	6.6	*0.2 pp*	*n/a*
For GDR owners	6.9	6.6	*0.3 pp*	*n/a*

[1] Indexed at 100.
[2] Data provided based on the dividends distributed or to be distributed for a specified period. A dividend of EUR 1.286 per share for 2023 comprises a dividend of EUR 0.643 paid for H1 2023 and a proposed dividend of EUR 0.643 for H2 2023, which is subject to the decision of our Annual General Meeting of Shareholders to be held on 27 March 2024.
[3] DPS, EPS indicators for 2022 and 2023 were calculated using the weighted average number of nominal ORS.
[4] Dividend yield is calculated by dividing DPS by the year end price of the ordinary registered share or GDR for the respective period: (i) dividend yield for ordinary registered shares holders is calculated using the EUR 19.02 and EUR 18.84 year end closing prices for 2022 and 2023 respectively; (ii) dividend yield for GDR holders is calculated using the EUR 18.80 and EUR 18.60 year end prices for 2022 and 2023 respectively.

The Group's securities are included in the MSCI Frontier Markets 100 Index (since 30 November 2020), MSCI Baltic States IM index (since Q3 2023), MSCI Baltic States IM index (since Q3 2023), the Nasdaq OMX Baltic Benchmark Index (since 4 January 2021), and OMX Baltic 10 (since 1 July 2021).

Dividends

Since the Group's IPO, we distribute our profits in line with our Dividend Policy. It is based on a fixed starting level of EUR 85 million distributed for 2020 and a minimum growth rate of at least 3% for each subsequent financial year.

Following our dividend commitment, for 2023 we intend to distribute a dividend of EUR 1.286 per share, corresponding to EUR 93.0 million and a yield of 6.8% for ORS and 6.9% for GDR holders (considering the year-end closing prices). A dividend of EUR 0.643 per share for H2 2023, corresponding to EUR 46.5 million, is subject to the decision of our Annual General Meeting of Shareholders to be held on 27 March 2024. Earlier, in Q3 2023, the Extraordinary General Meeting of Shareholders has made a decision on the distribution of a dividend of EUR 0.643 per share, or a total of EUR 46.5 million, for H1 2023. The dividends were distributed in October 2023.

Looking at the dividend pay-out, it is expected to reach 29.1% for 2023, compared to 30.8% for 2022.

Share capital

The parent company's share capital is divided into 72,388,960 ORS registered in Lithuania. They are all the same class of shares, each entitled to equal voting and dividend rights, specifically – one vote at the General Meetings of Shareholders, and to equal dividend. During the reporting period there were no changes in the parent company's share capital. The parent company does not own any of its own shares and did not make any acquisitions in 2023.

Performance information in 2023

	Nasdaq Vilnius	LSE	*Combined*
Year opening[1], EUR	19.06	19.30	-
Year high[1] (date), EUR	20.95 (23 May)	21.00 (9 May)	*21.00*
Year low[1] (date), EUR	18.56 (13 Dec)	17.60 (7 Dec)	*17.60*
Year VWAP[2], EUR	19.95	19.36	*19.77*
Year end[1], EUR	18.84	18.55	-
P/E (year-end), times	4.24	4.18	-
Annual turnover (average daily), EURm	63.30 (0.25)	21.01 (0.12)	*84.31 (0.37)*
Market capitalisation, year-end[1], EURbn	-	-	*1.4*

Parameters of the securities issues

	Nasdaq Vilnius	LSE	*Combined*
Type	Ordinary registered shares (ORS)	Global Depositary Receipts (GDR)	-
ISIN-code	LT0000115768	Reg S: US66981G2075 Rule 144A: US66981G1085	-
Ticker	IGN1L	IGN	-
Nominal value, EUR	-	-	*22.33 per share*
Number of shares (share class)	-	-	*72,388,960 (one share class)*
Number of treasury shares (%)	-	-	-
Free float, shares (%)	-	-	*18,105,203 (25.01%)*
ORS vs GDRs split	71.0%	29.0%	*100%*

[1] As of closing trading market price.
[2] VWAP – volume-weighted average price.
[3] In 2022, the total (ORS and GDRs) turnover was EUR 105.84 million (EUR 78.20 million on Nasdaq Vilnius exchange and EUR 27.64 million on LSE), whereas the average daily turnover totalled to EUR 0.45 million (EUR 0.31 million on Nasdaq Vilnius exchange and EUR 0.14 million on LSE).

The Group's securities are constituents of the below indices

Benchmark index	Benchmark index	Benchmark index	Tradable index
MSCI Frontier Markets 100 Index	MSCI Baltic States IM index	OMX Baltic Benchmark	OMX Baltic 10
MSCI	MSCI	Nasdaq	Nasdaq

Shareholder composition

At the end of 2023, the Group had 22,260 shareholders. Over the last year, our investor base increased by 14.53% compared to the end of 2022 (19,436 shareholders) and more than tripled compared to the IPO in 7 October 2020 (6,901 shareholders), mostly due to the growing number of retail investors.

The Republic of Lithuania (the authority implementing the shareholder's rights – the Ministry of Finance of the Republic of Lithuania, the Majority Shareholder) owns 74.99% of the parent company's share capital, with the remaining being held by the institutional (15.92%) and retail investors (9.09%). There are no other parties holding more than 5% of the parent company's share capital.

The composition of the parent company's shareholder structure by type and geography is provided on the right side.

General Meetings of Shareholders

In 2023, three General Meetings of Shareholders were held, during which resolutions were passed on dividend distribution, election of the auditor and other issues. Our next Annual General Meeting of Shareholders will be held on 27 March 2024. Further details, including the shareholders' rights, are available in section '4 Governance report' of this report and on our website.

Credit rating

On 24 October 2023, after an annual review, credit rating agency S&P Global Ratings affirmed 'BBB+' (stable outlook) credit rating of the Group. Further information on the credit rating, including credit rating reports, is available on our website.

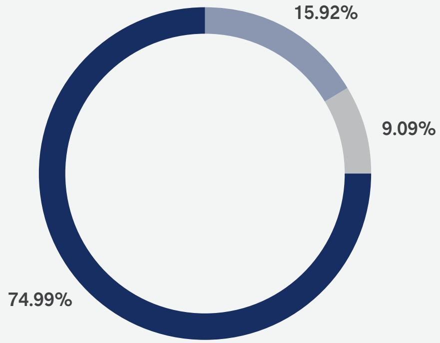
Investor relations

We strive to ensure the highest transparency and accountability standards in our stakeholder communication. On a continuous basis, we engage with the market through quarterly and *ad hoc* earning calls, non-deal roadshows, conferences and other types of meetings. Our dialogue with the investors and other stakeholders is subject to restrictions prior to the announcements of any non-public information.

On the Group's website, the 'Investors' section, we provide relevant information, including annual, interim reports and presentations, the investor calendar, analyst recommendations and a wide range of other data which might be of interest to our stakeholders.

Additionally, further information on the parent company's ORS, GDRs and bonds is disclosed in section '7.1 Further investor related information' of this report.

Shareholders composition (at the end of the reporting period)

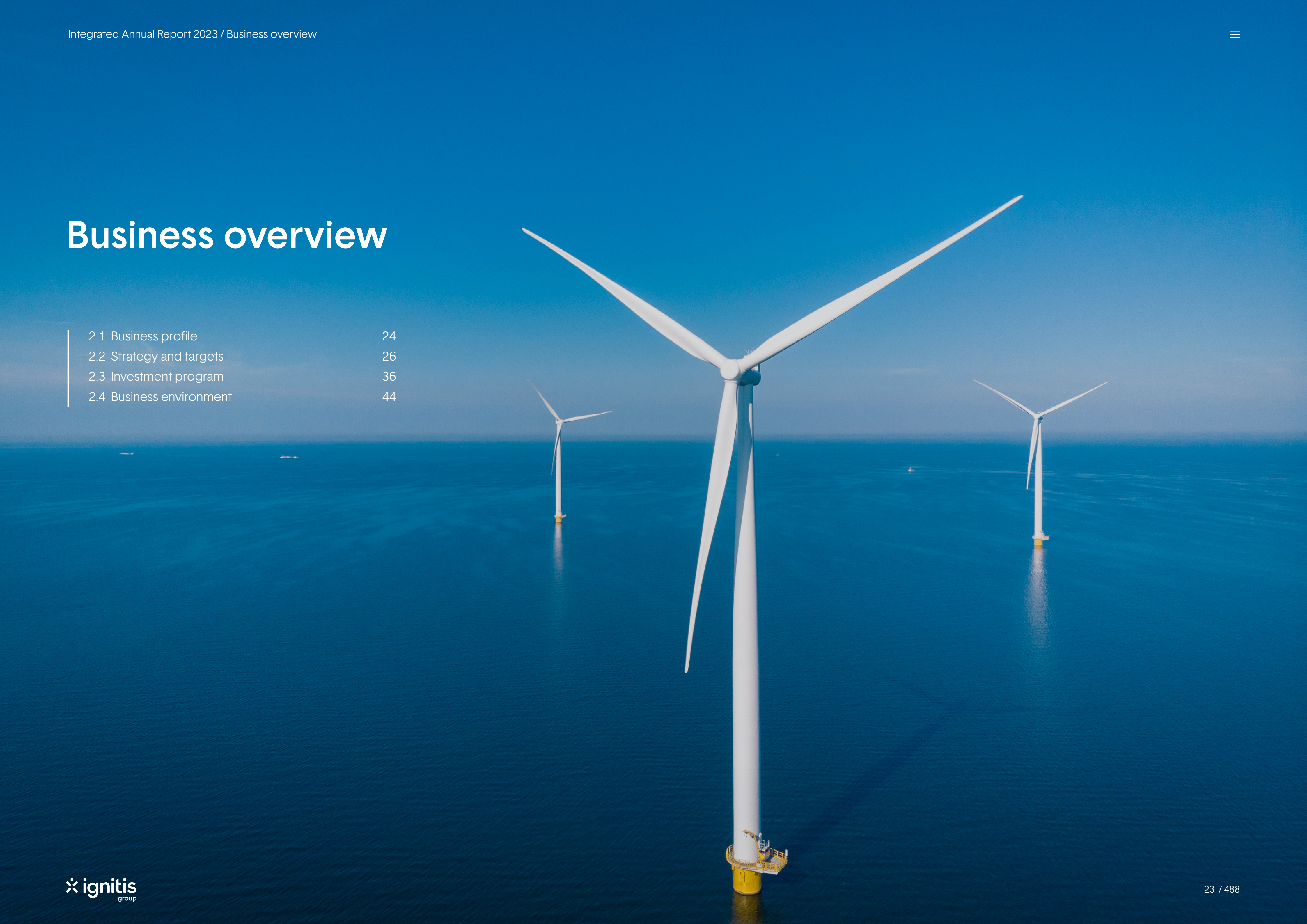


- **Majority Shareholder 74.99%**
  (Ministry of Finance of the Republic of Lithuania)
- **Institutional investors 15.92%**
  Baltics 47.48%
  United Kingdom 28.16%
  Nordics 15.45%
  Continental Europe 5.99%
  Other 2.92%
- **Retail investors 9.09%**
  Lithuania 74.49%
  Estonia 21.54%
  Latvia 3.03%
  Other 0.95%

Financial calendar 2024

27 March 2024	Annual General Meeting of Shareholders
10 April 2024	Expected Ex-Dividend Date (for ORS)
11 April 2024	Expected Record Date for dividend payment (for ORS)
15 May 2024	Interim report for the first three months of 2024
14 August 2024	Interim report for the first six months of 2024
11 September 2024	Extraordinary General Meeting of Shareholders (regarding the potential allocation of dividends for the six-month period ended 30 June 2024)
24 September 2024	Expected Ex-Dividend Date (for ORS)
25 September 2024	Interim report for the first nine months of 2024
13 November 2024	Expected Record Date for dividend payment (for ORS)

Financial calendar is available on our website and is immediately updated if there are any changes.

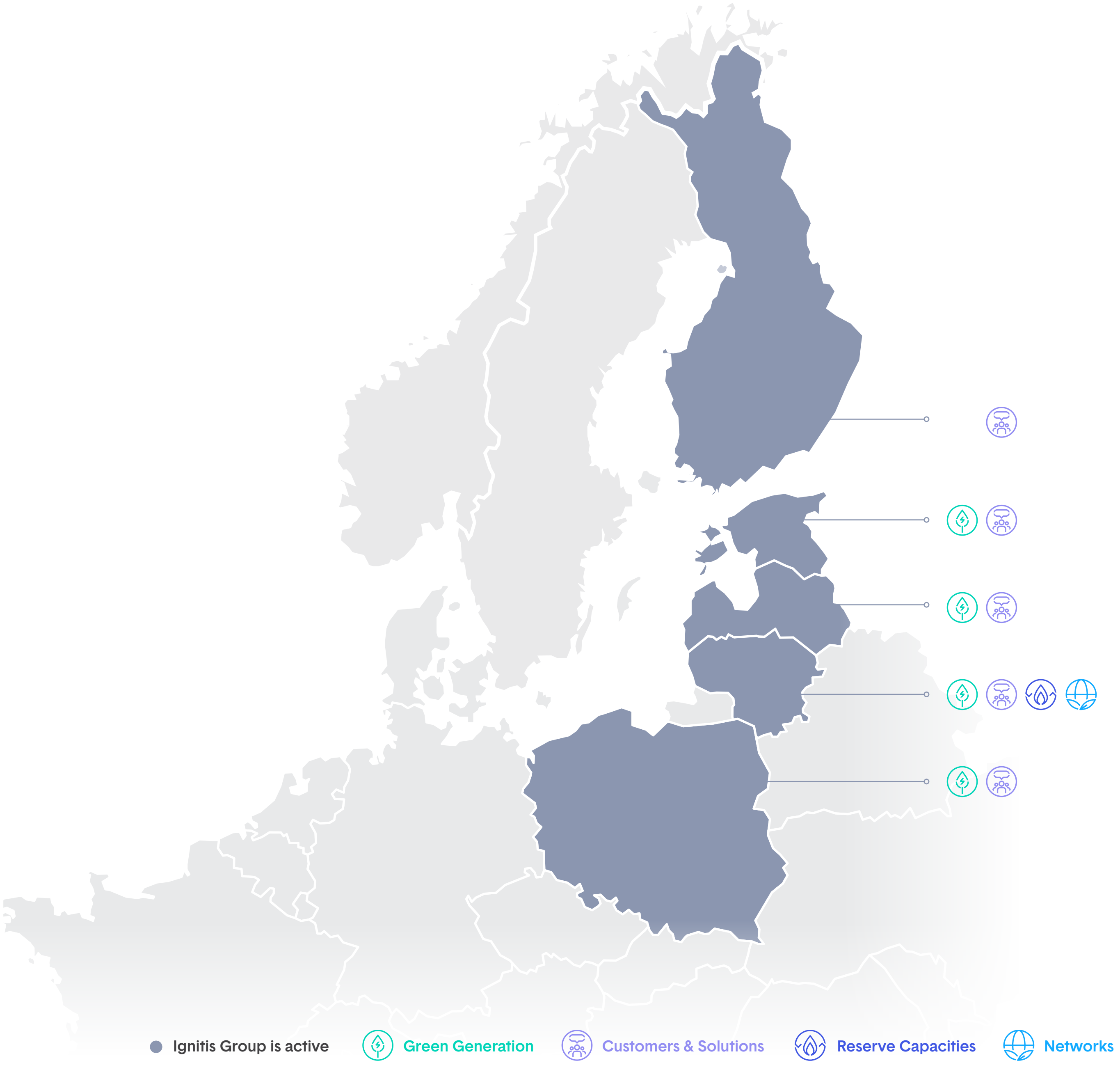


Business overview

2.1 Business profile

Ignitis Group

- **Renewables-focused integrated utility** and the largest energy group in the Baltics
- **4–5 GW** of installed Green Generation capacity by 2030
- **Net zero** emissions by 2040–2050
- Focus on green and flexible technologies such as **offshore wind, onshore hybrid, P2X & storage**
- **Integrated business model** benefiting from the largest customer portfolio, energy storage facility, network and energy hub in the Baltics
- Active in the **Baltic states, Poland and Finland**



Integrated business model

Green Generation

#1 in Lithuania[1]
#2 in the Baltics[1]

Installed capacity: 1.3 GW
Pipeline: 5.8 GW
Total portfolio: 7.1 GW

Strategic focus
Delivering **4–5 GW** of installed green and flexible capacities by 2030

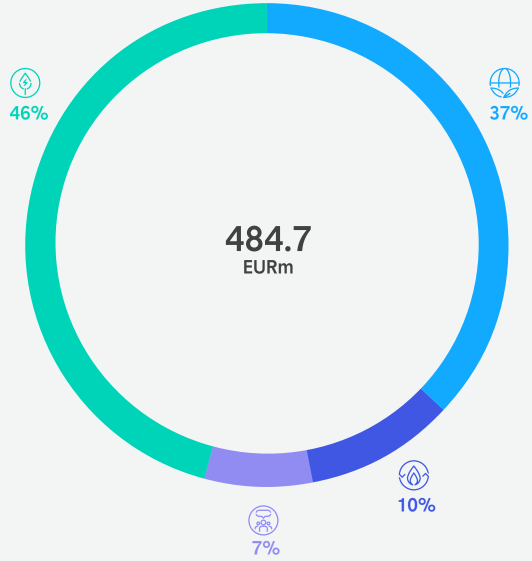
Customers & Solutions

#1 in the Baltics[1]

The largest customer portfolio in the Baltics:
1.4 million customers

Strategic focus
Utilising and further expanding customer portfolio to enable Green Generation build-out

Adjusted EBITDA 2023



Networks

#1 in the Baltics[2]

Fully regulated country-wide natural monopoly

Regulated asset base (RAB):
EUR 1.4 billion

Strategic focus
Expanding a resilient and efficient network that enables electrification

Reserve Capacities

#1 in Lithuania[3]
#2 in the Baltics[3]

Highly regulated gas-fired power plants mainly operating as system reserve

Strategic focus
Contributing to the security of the energy system

[1] *Based on the number of customers.*
[2] *Based on the network size and the number of customers.*
[3] *Based on installed capacity.*

2.2 Strategy and targets

In 2023, we updated our Strategy to strengthen our contribution to the decarbonisation and energy security in our region by accelerating the green energy transition in the Baltics and creating a purely green energy system.

Our purpose is to create a 100% green and secure energy ecosystem for current and future generations

We fulfil our purpose by leading the regional transition into a climate-neutral, secure and independent energy ecosystem and contributing to Europe's decarbonisation by facilitating renewable energy flows from Northern to Central Europe (incl. Germany).

By leading the regional transition in Lithuania and the Baltics, we strive to become one of the first 100% green energy systems in Europe.

By energy ecosystem we mean the combination of the multiple interdependent parties involved in the generation, consumption, transformation and transportation of clean energy (including industry, transport and heating).

Purpose-driven priorities

1 Green
Growing green capacities

2 Flexible
Creating a flexible system that can operate on 100% green energy in the short, medium, and long term

3 Integrated
Utilising the integrated business model to enable green and flexible generation build-out

4 Sustainable
Maximising sustainable value

- **Pumped-storage hydro:** 1.0 GW in 2026
- **Batteries:** commercial-scale by 2026
- **Power to X:** successful P2X pilot project, paving the way for commercial scale

Leveraging strong position in the Baltics:

- The largest customer portfolio
- The largest energy storage facility
- The largest network
- The largest energy hub

Net zero by 2040–2050

ESG leadership

Taxonomy-aligned investments

≥3% annual dividend growth

Strategic priorities by business segments

Green Generation

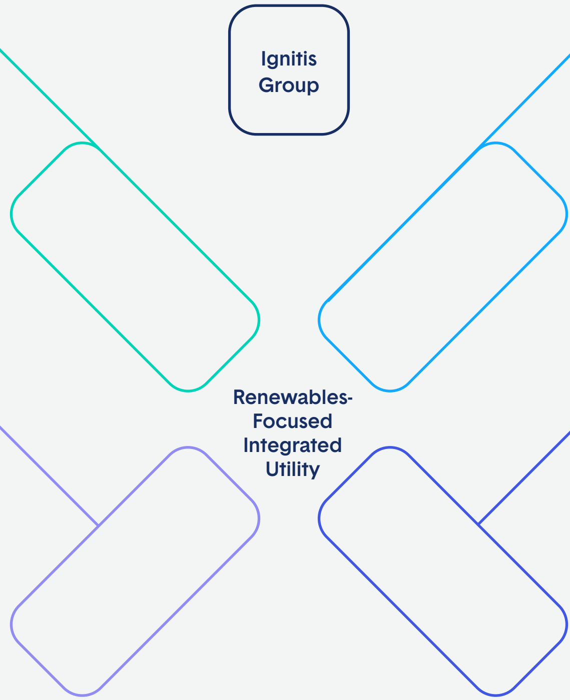
Strategic priorities
Delivering 4–5 GW of installed green and flexible capacities by 2030 with a focus on:

1. Offshore wind
2. Onshore hybrid
3. P2X & storage

Customers & Solutions

Strategic priorities

1. Utilising and further expanding customer portfolio to enable Green Generation build-out
2. Building a leading EV public charging network in the Baltics
3. Speeding up the transition from gas to electricity



Networks

Strategic priorities

1. Resilient and efficient electricity distribution
2. Electricity network expansion and energy market facilitation
3. End-to-end customer experience

Reserve Capacities

Strategic priorities

1. Contributing to the security of the energy system

Our focus is on our home markets – **the Baltic states, Poland and Finland.**
We are also exploring opportunities in other EU markets undergoing energy transition.

Sustainability

We deliver our strategy by focusing on decarbonisation based on the science-based targets, safety at work, employees experience, diversity, and creating sustainable value.

People

We are a **diverse team of energy smart people** united by a common purpose to create a 100% green and secure energy ecosystem for current and future generations.

We pursue our strategic priorities and contribute to Ignitis Group's purpose and strategy by attracting and retaining diverse top talents, building critical skills and competencies to execute the strategy, and having a human-centric approach (implementing a holistic employee well-being approach, growing a diverse and inclusive organisation and maintaining a positive employee experience).

Employees in the daily environment

Our values

RESPONSIBILITY
Care. Do. For Earth.
Starting with myself

PARTNERSHIP
Diverse. Strong.
Together

OPENNESS
See. Understand. Share.
Open to the world

GROWTH
Curious. Bold.
Everyday

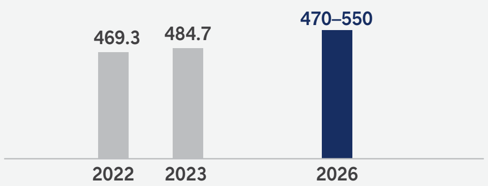
Our strategic targets for 2023–2026

Our strategic targets are defined based on our purpose-driven priorities to ensure our strategy execution. The Group reviews it's strategy and updates its strategic plan every year for the next 4-year period. The latest Group's strategic plan is published on our website. Additionally, incentive based short-term (annual) and long-term targets (for a strategic 4-year period) as well as an overview of their achievement are set out in more detail in section '5 Remuneration report' of this report and on our website.

Financial targets

Adjusted EBITDA APM

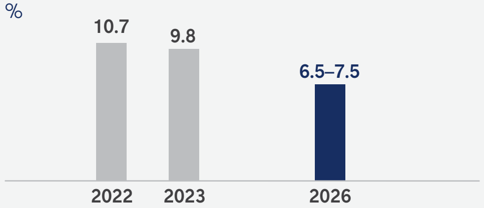
EURm



Adjusted EBITDA is expected to reach EUR 470–550 million in 2026, or grow up to 17% compared to 2022. The growth will be driven by the Green Generation segment.

Adjusted ROCE APM

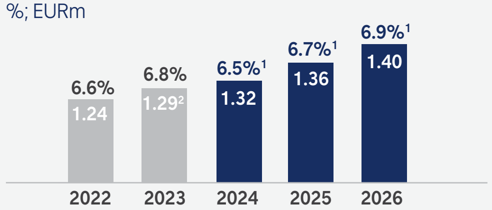
%



Average Adjusted ROCE during 2023-2026 is expected to be around 6.5–7.5%. Targeted level for 2023-2026 is lower compared to 2022 as results for 2022 was exceptionally strong.

Minimum DPS and dividend yield

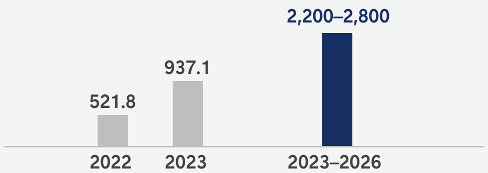
%; EURm



We aim to grow the dividends paid to shareholders at a minimum 3% annual rate. The starting dividend level for 2020 was set at EUR 85 million with EUR 90.3 million declared for 2022 and EUR 93.0 million for 2023. Implied dividend yield for 2023–2026: 6.3–6.9%.

Investments APM

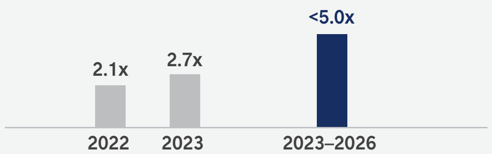
EURm



We aim to invest EUR 2.2–2.8 billion over 2023–2026 period, and >85–90% of it will be sustainable investments. The major portion of that will be allocated to Green Generation capacity expansion and maintenance, automation, digitalisation and expansion of our electricity distribution network.

Net debt / Adjusted EBITDA APM

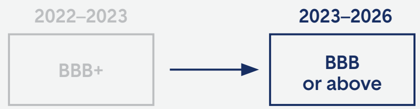
Times



Net Debt/Adjusted EBITDA is expected to be below 5x over the 2023–2026 period.

Credit rating

S&P

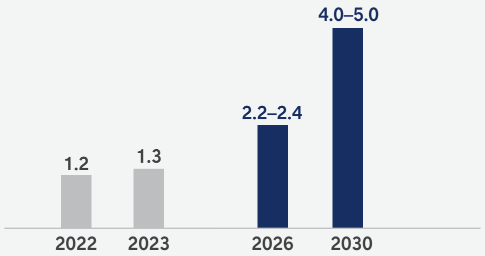


We are committed to a solid investment-grade rating. We expect to maintain 'BBB' or a better rating over the 2023–2026 period.

[1] *Calculated based on the No. of shares (72,388,960 ordinary shares) for the 2024-2026 period. Implied dividend yield is calculated based on the Group's share price: 20.5 EUR/share.*
[2] *A dividend of EUR 1.286 per share comprises of a dividend of EUR 0.643 paid for H1 2023 and a dividend of EUR 0.643 for H2 2023, which is subject to the decision of the Annual General Meeting of Shareholders to be held on 27 March 2024.*

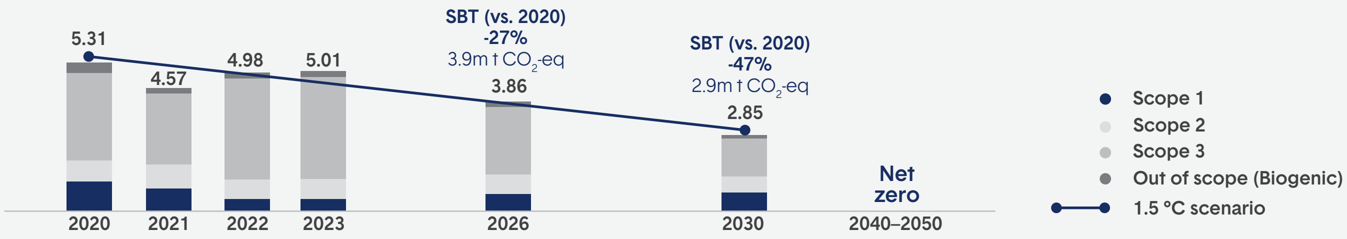
Sustainability targets

Green Generation installed capacity
GW



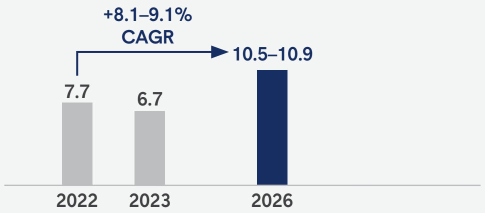
We expect to reach 2.2–2.4 GW of installed Green Generation capacity by 2026 and 4–5 GW by 2030 (green and flexible capacities).

GHG emissions and science-based targets[1]
million t CO_2-eq



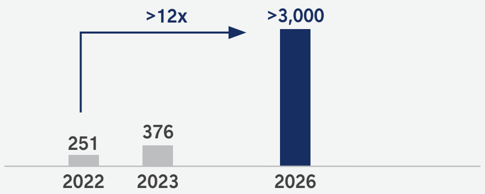
By 2030, we plan to reduce GHG emissions by half in accordance with the GHG emission management plan validated by SBTi in 2021.

Customer portfolio
Electricity supply, TWh



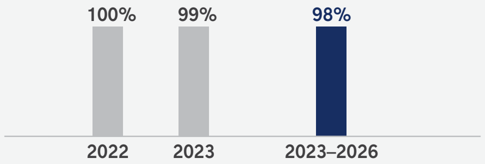
We are utilising and further expanding our customer portfolio to enable Green Generation build-out through internal power purchase agreements (PPAs). We aim to increase electricity sales volumes to around 10.5–10.9 TWh in 2026 (implying a 8.1–9.1% CAGR for 2023–2026) and speeding up transition from gas to power.

Public EV charging network
Charging points, #



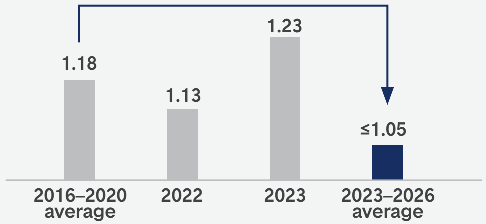
We are building a leading EV public charging network in the Baltics and targeting to reach ~50% market share of public EV charging infrastructure by 2026 (>3,000 charging points by 2026) as well as become fast charging leaders in the Baltics. Our EV network will become a significant offtaker of green electricity in the future.

Reserve Capacities
Availability[2], %



We are targeting to retain high availability of Reserve Capacities (Elektrėnai Complex), or ~98% over the 2023–2026 period, to ensure reliability and security of the power system. Availability assets of Elektrėnai Complex include the CCGT and Units 7&8.

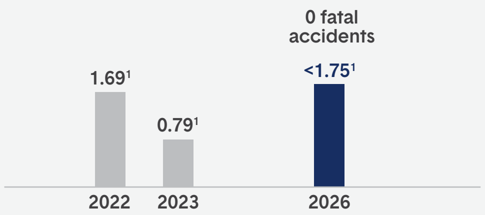
Electricity SAIFI[3]
Interruptions per customer



We invest into electricity network expansion and ensure its resilience. We are targeting to decrease the SAIFI indicator to an average of ≤1.05 interruptions per customer over the 2023–2026 period. We are improving network automation to have 63% of consumers connected to automated control lines by 2026. Average technological losses in the electricity network should remain ≤5.0% over the 2023–2026 period. We are expecting to complete the smart meters rollout 1.1–1.2 million units by 2026.

[1] In this graph, GHG emissions from Vilnius CHP are not included since this power plant only began its waste-to-energy unit tests at the end of 2020, and only a very small amount of Vilnius CHP emissions (0.02m t CO_2-eq) is included in 2020 base. As a result, the targets were set without including Vilnius CHP. After Vilnius CHP has operated with fully operational waste-to-energy and biomass units for at least a year, its comprehensive effects will be evaluated, and the Group's targets will be revalidated. This also applies to other excluded categories (for more information see the Group's GHG inventory reports).
[2] Excluding planned refurbishment works. [3] Excluding (1) interruptions due to natural phenomena corresponding to the values of natural, catastrophic meteorological and hydrological phenomena indicators; (2) interruptions due to failures in the network of the transmission system operator.

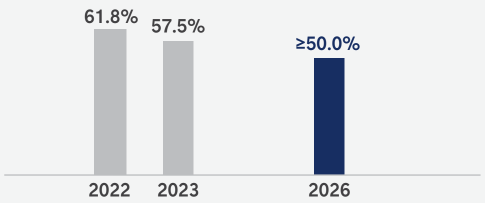
Safety
# of fatal accidents & TRIR



Our key focus is on safety at work. We aim to ensure 0 fatal accidents (contractors and own employees) over the 2023–2026 period. Also, we are targeting for TRIR of own employees to be below 1.75 and contractors below 3.5 in 2026.

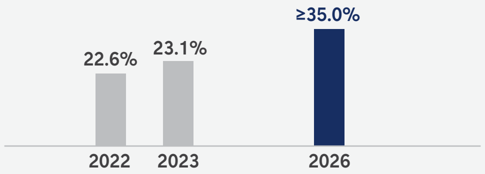
Engaged employees
Employee NPS, %

We aim to retain eNPS level of **≥50%**



Having a human-centric approach, we are implementing a holistic employee well-being approach, growing a diverse and inclusive organisation and ensuring a positive employee experience. Our target is to retain the current level and to have the eNPS level ≥50% over the 2023–2026 period.

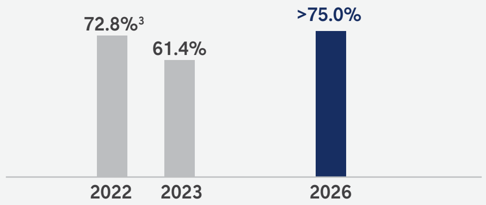
Diversity
% of women in top management (period end)



We aim to reach 35% share of women in top management by 2026.

Sustainable value
Share of sustainable Adjusted EBITDA[2], %

Share of sustainable investments[2]:
>85–90% over 2023–2026



We plan to grow a sustainable Adjusted EBITDA share to 75% or more by 2026 (driven by a sustainable investment share of ≥85–90% over 2023–2026; in 2022 it was 90.0%[3], in 2023 it was 94.8%).

[1] *TRIR of own employees. TRIR of contractors targeted to be below 3.5 in 2026.*
[2] *Taxonomy-aligned.*
[3] *These figures have been restated compared to the previous reporting period. For more information see section '7.2 Notes on restated figures' of this report.*

Strategic enablers

We are focusing on innovation and digitalisation to keep the pace with the rapidly changing energy sector. These strategic enablers ensure sustainable growth and operational efficiency.

Innovation

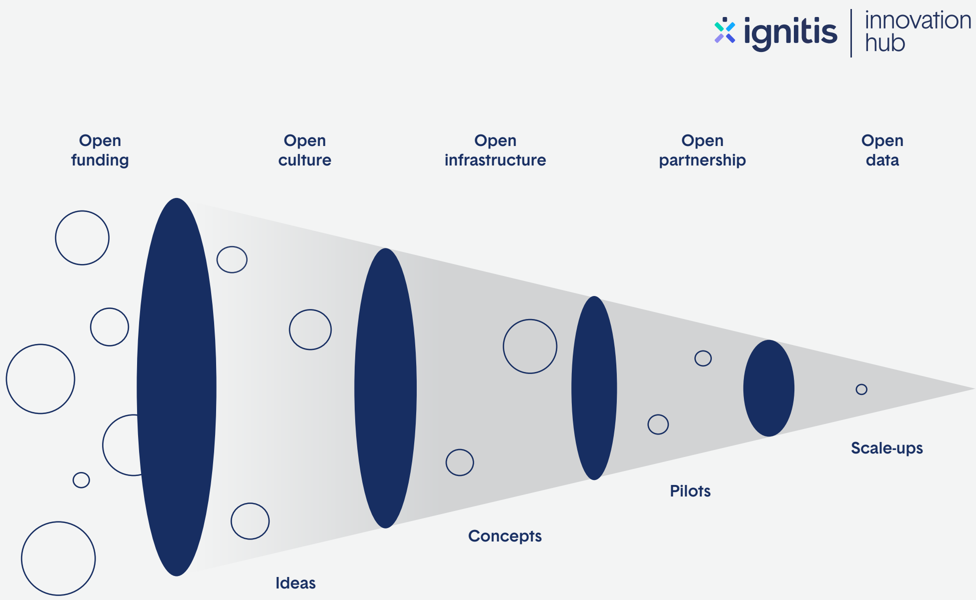
Ignitis Innovation Hub

In 2018, we launched the Ignitis Innovation Hub, which combines internal and external initiatives of Ignitis Group, thereby promoting the development of energy technologies and attracting innovative ideas. The hub is an integral part of the Group and allows other companies to receive and share open data and test their technologies, prototypes or business ideas by utilising the Group's infrastructure through the Sandbox programme. We cooperate with state authorities, universities and other companies to develop new products and services, which we then apply in the Group's activities and, in turn, offer to our customers. We aim to create and support the EnergyTech ecosystem based on the principles of open innovation.

Over the period of 2020–2024, Ignitis Innovation Hub aims to develop at least 50 scenarios for the use of innovative solutions and expects to implement at least 35 pilot projects. In 2023, the hub implemented 14 concepts and 10 pilot projects, and developed 4 solutions, including the key highlights of the progress made in 2023:

- **established power-to-X (P2X) competence centre and conducted 5 studies.** Demand side response (DSR), flexible energy consumption solutions and eFuel production are key to accelerating the expansion of the renewables capacity. This has been one of the main priorities of the hub this year, therefore, it estalbished a P2X competence centre within the Group and carried out 5 studies. This has provided a solid foundation of the competences in the areas of carbon capture and storage (CCS), production of hydrogen and derivative fuels, or efuels, battery energy storage systems (BESS) and understanding the regulatory environment;
- **integrated Plexos into the Group's activities.** Power markets worldwide are undergoing a significant transformation due to the green transition, with added complexities arising from the advancements in renewable energy technologies and decentralized generation. In this dynamic environment, possessing comprehensive market insights and knowledge is a strategic advantage. To maintain the forefront position in the Baltics, at the end of 2022, Ignitis Innovation Hub acquired a class-leading market modelling tool, Plexos. The tool combines different energy system inputs into one optimisation solution to forecast electricity prices or other parameters of an energy system, allowing the Group to estimate various market price scenarios, evaluate the impact of strategic variable changes or optimise business cases. We have been successfully using the Plexos tool in 2023 with several case studies analysed and are planning it further in 2024. Advanced market modelling will provide us with the essential information required for a successful and sustainable transformation;

Open-innovation pillars and the process of idea development



In 2023	14 concepts implemented	10 pilot projects implemented	4 solutions developed

- **integrated artificial intelligence (AI), a visual recognition model has been tested and implemented at Kaunas CHP.** 2023 was a year of focus on health and safety for the Group, and we implemented technologically advanced solutions to ensure progress on the issue. For example, we deployed an AI visual recognition model, which is able to identify whether all personnel and contractors wear safety equipment to a high degree of accuracy and in real-time while recognising the anomalies, such as a person that fell down or is not moving, and immediately inform the safety officer.

EUR 37.1 million	EUR 15.6 million	30	11	100+
committed capital	**returns to date**	**different companies**	**countries**	**investment partners**

Venture capital activities

In 2017 the Group anchored the first energy-oriented venture capital fund in the Baltics, the Smart Energy Fund powered by Ignitis Group, managed by Contrarian Ventures. The fund has finished its investment period and has generated a return of EUR 15.6 million so far. The fund has also found strategic success as multiple pilot projects of the companies in its portfolio enabled the Group to offer new services to its customers. Considering the success of the first fund, in 2023 the Group joined the European climate tech venture capital fund, World Fund, committing about EUR 25 million of capital to support early- and growth-stage startups operating in the climate technology area. The fund's manager was selected through an international public tender.

Priorities for 2024

The main objectives of the Group's innovation team for 2024 are to pursue new technologies that can be applied within the Group's business activities, proceed with building essential competences in the P2X field, ensure improved decision-making by utilising the modelling capabilities of Plexos and continue providing expertise on the Group's strategic activities.

Digitalisation

Digitalisation aims to improve the digital experience of employees, increase the operational efficiency and help create the greatest possible added value for the organisation. We do this by taking into account the needs of different teams and analysing the digital experience of the Group employees. In 2023, we focused on applying and disseminating design thinking principles across the Group, organising hackathons, enhancing employees' digital skills, decentralizing automation and piloting AI technologies.

Overview of activities in 2023

Hackathons

To address the internal and external challenges affecting the Group, we organised an internal hackathon. This year's hackathon had two sets of topics. The first focused on involving more colleagues in overall trainings that are organised within the Group and attracting and teaching more interns in engineering professions. Teams suggested ideas that redeveloped internship plans, created apps to match interns with managers and proposed monthly competitions to improve our trainings. The second set of topics covered the possibilities of AI within the Group and the safety issues around it. Teams analysed the threat of deepfakes in our business, created optical character recognition (OCR) solutions to be used in the installation of smart meters and created large language model add-ins for Office programs.

Improving digital skills

In 2023 we continued the digital skills training programme for our colleagues. The main objective remained the same as before: to upskill and reskill the Group employees, to increase their efficiency and ensure the sufficiency of digital skills for the future. We included even more topics in the programme to meet the needs of even more different employee groups. We also ran a 13-week-long digital skills training specifically designed for our managers. In total, more than 90% of the Group's employees participated in the digital skills development programme.

Piloting AI technologies

In 2023 ChatGPT and other large language models saw a rapid development, thus we proactively started to pilot AI technologies in various areas of our business. The current pilots are focused on automating the call centre's functions, automating the email creation, improving our chatbots and customer NPS analysis. To boost the usage of AI tools, we also started organising trainings on ChatGPT and created access for everyone to try it safely in their work environment.

Plans ahead

In 2024 the digitalisation will greatly shift towards adopting AI technologies in different areas of our work. We are planning to do more than 20 pilots, some of which will be implemented in our processes and will bring real value to the business. Furthermore, we will focus on the digital skills programme and fostering the digital culture while making AI solutions widespread within the Group, expecting that at least 15% of employees will regularly use these technologies in their day-to-day work.

Ignitis Group employees in hackathon

2.3 Investment program

Overview

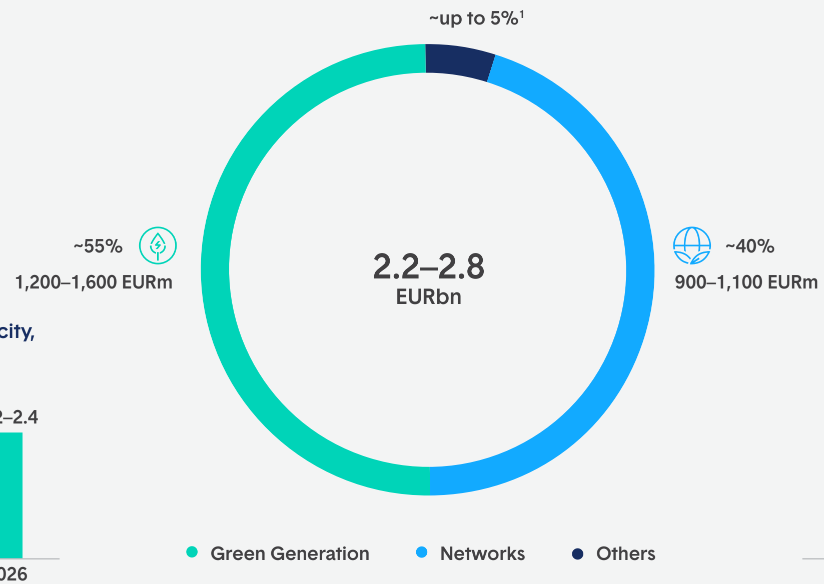
The Group makes investment decisions based on a four-year investment plan. Over the period 2023–2026, the Group targets to invest EUR 2.2–2.8 billion or around EUR 550–700 million annually, primarily directed towards sustainable growth in Green Generation and Networks business segments. Out of total, around 55% of the investments are aimed towards Green Generation capacity expansion, while around 40% of the investments are focused on the Networks segment, its maintenance and expansion.

To successfully implement our investment plan while achieving financial targets, including a commitment to increase dividends annually, we have established and apply a disciplined investment policy. We disclose the updates on our key investments in the Green Generation and Networks segments in our interim and annual reports. More information on both matters, is available in the following sections of this report.

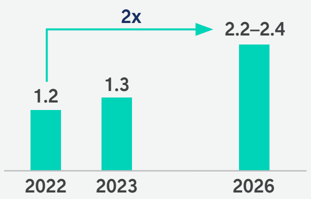
Aligned with EU Taxonomy

>85–90%
of investments are aligned with EU taxonomy

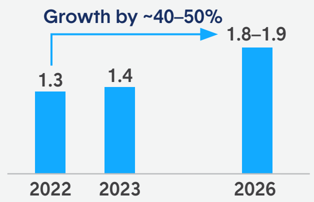
Investments over 2023–2026



Green Generation capacity,
GW



Regulated Asset Base,
EURbn



[1] *Includes investments in Reserve Capacities, Customers & Solutions business segments, IT and other investments.*

Green Generation

Investment policy

The Group applies a disciplined investment framework with hurdle rates for returns on Green Generation projects to ensure value-creating growth. Our investment policy targets a spread of 100 to 350 basis points over WACC on an unlevered basis, depending on the risk profile on a project-by-project basis.

According to our asset rotation program, we plan to sell up to 49% of equity stakes in our implemented Green Generation projects to capture value premium and recycle capital for future growth.

Target markets
Primarily the Baltics and Poland

Technologies
Offshore wind, onshore hybrid, Power-to-X & storage

Entry stage
Primarily greenfield and early-to-late development stages

Financing
Targeted 60–75% leverage at the project level

Asset rotation
Up to 49% of equity stakes in implemented projects to be sold under the programme

Target returns
- 100-350 bps over WACC on an unlevered basis
- It depends on the risk profile on a project-by-project basis

Update on key ongoing and planned Investments

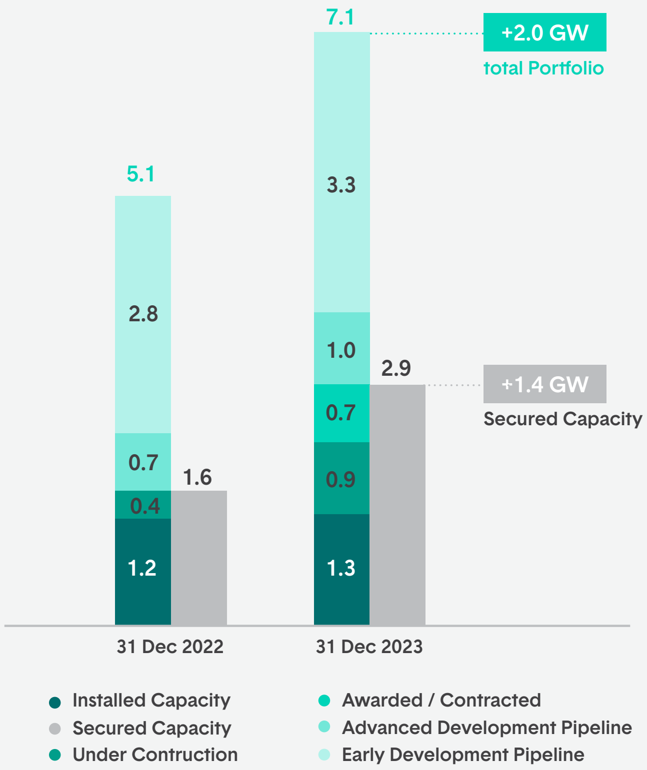
In 2023, our Green Generation Portfolio increased by 2.0 GW to 7.1 GW (from 5.1 GW) as a result of the acquisition of onshore wind development projects (Kelmė WF I & II) in Lithuania with a total capacity of 0.3 GW, securing the seabed sites (Liivi 1&2) for the expected capacity of 1–1.5 GW[1] in the Estonian offshore wind tender and greenfield capacity additions of around 0.7 GW. Our Secured Capacity increased by 1.4 GW to 2.9 GW (from 1.6 GW) as a number of projects, including Latvian solar portfolio I (239 MW), Kelmė WF I (105.4 MW) and Kelmė WF II (194.6 MW), Kruonis PSHP expansion project (110 MW), and Tauragė solar project (22.1 MW) reached the construction and 700 MW Lithuanian offshore WF project reached the awarded/contracted phases.

Additionally, two projects under construction were completed as Mažeikiai WF (63 MW) in Lithuania reached COD August 2023, and Vilnius CHP biomass unit achieved partial COD for the capacity of 50 MWe and 149 MWth (out of 73 MWe, 169 MWth) in December 2023. However, due to ongoing final testing procedures, achievement of COD for the remaining capacity of 23 MWe and 20 MWth is ongoing.

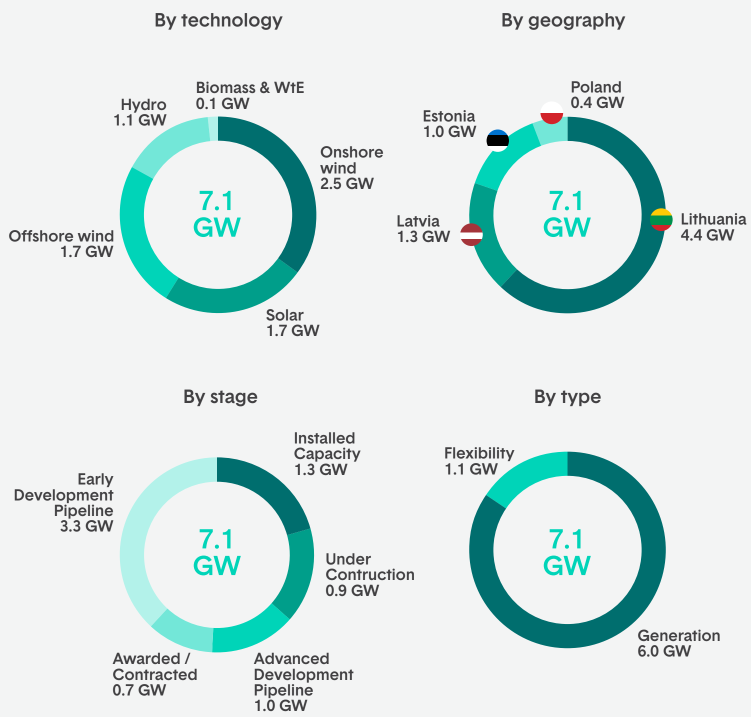
In addition, projects with a total capacity of up to 670 MW reached the construction phase and projects with a total capacity of up to 620 MW entered the advanced development phase.

The implementation of the Green Generation Portfolio is progressing as planned with no significant changes since Q3 2023, and information on the key Portfolio development milestones achieved since the beginning of 2023 is available in the visual on the following page.

Green Generation Portfolio, GW



Green Generation Portfolio split



[1] *While the theoretical potential capacity of secured seabed sites is calculated to be 2.3 GW, depending on environmental impact assessment results, site optimisation as well as other factors, the actual capacity of the offshore wind farm is expected to be 1–1.5 GW. The Group currently includes the minimum size (1 GW) of the actual capacity in the Portfolio.*

Key Green Generation Portfolio development milestones

JANUARY

Mažeikiai WF (63 MW) supplied first power to the grid.

MARCH

Hot tests in Vilnius CHP biomass unit (73 MWe, 169 MWth) have begun.

Tauragė solar project (22 MW) reached a construction phase.

APRIL

Kruonis PSHP expansion project (110 MW) has reached a construction phase.

Moray West offshore wind project (882 MW) has reached the financial close.

Jonava solar project (252 MW) reached advanced development stage.

MAY

Tume solar project (<300 MW) reached advanced development stage.

JUNE

Vilnius CHP biomass unit (73 MWe, 169 MWth) supplied the first power to the grid.

JULY

Lithuanian offshore WF project has reached Awarded / Contracted stage.

AUGUST

Mažeikiai WF (63 MW) has reached COD.

Eurakras hybrid project (37.5 MW) reached advanced development stage.

Tauragė solar project II (25.2 MW) has reached an advanced development stage, after securing the grid.

The Group and Copenhagen Infrastructure Partners entered a partnership to participate in the upcoming Estonian and Latvian offshore wind tenders.

OCTOBER

Kelmė WF II (<195 MW) has reached a construction phase.

Signed with Umicore Poland Sp. Z o. o. a the largest external 10-year corporate PPA. It covers a substantial part of the expected electricity production of Silesia WF II, currently under construction, with total capacity of 137 MW.

Completed the acquisition of up to 300 MW of Kelmė WF I & II in Lithuania.

Vilnius CHP biomass unit (73 MWe, 169 MWth) started to generate and supply heat to Vilnius.

NOVEMBER

Latvian solar portfolio I (239 MW) has reached a construction phase, after FID made.

The Group appointed Fugro to conduct a seabed survey for the Lithuanian offshore WF (700 MW) site.

DECEMBER

The Group, together with its partner CIP, won the first seabed site (Liivi 2) in Estonia's offshore wind tender.

Vilnius CHP biomass unit reached partial COD for the capacity of 50 MWe and 149 MWth (out of 73 MWe, 169 MWth) in December 2023.

All turbines in were erected in the Silesia WF II (137 MW) in Poland.

All solar modules were installed in the Tauragė solar project I (22.1 MW) in Lithuania.

After the reporting period

The Group, together with its partner CIP, won the second seabed site (Liivi 1) in Estonia's offshore wind tender.

Silesia WF I (50 MW) in Poland supplied first power to the grid.

Status on key investment projects / UNDER CONSTRUCTION

Project name	Vilnius CHP (biomass unit)	Polish solar portfolio	Silesia WF I	Silesia WF II	Tauragė solar project	Moray West offshore wind project[7]	Latvian solar portfolio I	Kelmė WF I	Kelmė WF II	Kruonis PSHP expansion	TOTAL
Country	Lithuania	Poland	Poland	Poland	Lithuania	The United Kingdom	Latvia	Lithuania	Lithuania	Lithuania	
Technology	Biomass	Solar	Onshore wind	Onshore wind	Solar	Offshore wind	Solar	Onshore wind	Onshore wind	Hydro pumped storage	
Capacity	73 MWe, 169 MWth[2]	30 MW	50 MW	137 MW	22.1 MW	882 MW	239 MW	105.4 MW	194.6 MW	110 MW	**1.0 GWe / 0.2 GWth**
Turbine / module / other type of unit manufacturer	1 x 73 MWe Siemens; 2 x 84.5 MWth Rafako	17 MW Jinko Solar; 13 MW JA Solar	14 x 3.6 MW Nordex	38 x 3.6 MW Nordex	22.1 MW Trina Solar	60 x 14.7 MW Siemens Gamesa	239 MW Trina Solar	16 x 6.6 MW Nordex	28 x 7.0 MW Nordex	1 x 110 MW Voith Hydro	
Investment	~EUR 270 million[3]	~EUR 18 million	~EUR 75 million[5]	~EUR 240 million[5]	~EUR 16 million	Not disclosed	~EUR 178 million[5]	~EUR 190 million[5]	~EUR 360 million[5]	~EUR 150 million	**~EUR 1.5 billion[8]**
Investments made by 31 December 2023	~EUR 256 million	~EUR 14 million	~EUR 69 million	~EUR 230 million	~EUR 11 million	Not disclosed	~EUR 22 million	~EUR 104 million	~EUR 107 million	~EUR 20 million	**~EUR 0.8 billion[8]**
Proportion of secured revenue[1]	80%	100%	100%	100%	0%	85%	0%	65%	0%	0%	
Type of secured revenue	PPA	CfD	CfD	CfD / PPA	–	CfD / PPA	-	PPA	-	-	
Ownership	100%[4]	0%[6]	100%	100%	100%	5%[7]	100%	100%	100%	100%	
Partnership	n/a	n/a	n/a	n/a	n/a	Ocean Winds	n/a	n/a	n/a	n/a	
Progress											
FID made	+	+	+	+	+	+	+	+	+	+	
WTGs erected (units) / Solar modules & inverters installed (MW) / Other type of turbines or units installed (units)	3 / 3	27 / 30	14 / 14	38 / 38	22 / 22	0 / 60	0 / 239	0 / 16	0 / 28	0 / 1	
First power / heat to the grid supplied	+	+	+	–	–	–	–	–	–	–	
Expected COD	Q4 2023[2]	Q1 2024–Q4 2024	Q1 2024	H2 2024	2024	2025	2025	2025	2025	2026	
Status	Time delay	Time delay	On track	On track	On track	On track	On track	On track	On track	On track	

[1] Secured revenue timeframe differs on a project-by-project basis. [2] Vilnius CHP biomass unit reached partial COD for the capacity of 50 MWe and 149 MWth (out of 73 MWe, 169 MWth) in December 2023. However, due to ongoing final testing procedures, achievement of COD for the remaining capacity of 23 MWe and 20 MWth is ongoing. [3] Includes EU CAPEX grant for Vilnius CHP (i.e., waste-to-energy (operational since Q1 2021) and biomass units) which in total amounts to ~EUR 140 million.[4] 49% to be divested post COD according to EU CAPEX grant rules. [5] Including project acquisition and construction works. [6] Ownership will be 100% after full completion of construction works. [7] As the Group owns a minority stake of 5%, the project's capacity is not consolidated and is not reflected in the data of Green Generation Portfolio. [8] Excluding not disclosed investments.

Status on key investment projects / AWARDED / CONTRACTED

Project name	Lithuanian offshore WF
Country	Lithuania
Technology	Offshore wind
Capacity	700 MW
Investment	Not disclosed
Proportion of secured revenue[1]	0%
Type of secured revenue	-
Ownership	51%
Partnership	Ocean Winds
Progress	
Seabed secured	+
Grid connection secured	+
EIA completed	-
Expected COD	2029
Status	On track

[1] *Secured revenue timeframe differs on a project-by-project basis.*

Ignitis Renewables Offshore team

Networks

Investment policy

Investments into our Networks segment, as a Lithuania's distribution system operator that is working in a fully regulated business environment, are clearly defined by the regulatory framework, coordinated and approved by the regulator (National Energy Regulatory Council, NERC).

Target markets
Lithuania

Technologies
Electricity and natural gas distribution networks

Type
Expansion (new customer connections and upgrades, including prosumers and EV network, smart-meter roll-out) and maintenance

Investment capacity
10-year investment plans are updated, coordinated, and approved by the regulator (NERC)

Target returns
In line with WACC set annually by the regulator (NERC)

Update on key ongoing and planned Investments

Since the end of 2022, we have successfully continued working on grid maintenance and expansion, including the smart meter roll-out. Smart meter installation for private and business customers whose energy consumption exceeds 1,000 kWh a year began in July 2022 and smoothly continues today. In 2023, around 519 thousand smart meters have been installed, reaching around 729 thousand installed smart meters in total (out of 1.1–1.2 million smart meters to be installed). The smart metering system was successfully deployed with full functionality at the end of 2023. Now that the system is up and running day-to-day operations, we will continue to improve it, develop and integrate new features in 2024. The integration of the smart meter information system with the distribution management system is being analysed, with a target to fully integrate it by mid-2025. We are also working on the development of the meter readings hub, with the aim of creating a cloud-based big data platform for collecting smart meter data and analytics. Our target of finalizing the mass roll-out process by the end of 2025 remains unchanged as, currently, the production and delivery of smart meters is progressing smoothly.

Status on key investment projects

Project name	Maintenance and other	Expansion *New customer connections and upgrades*	Expansion *Smart metering*	TOTAL
Country	Lithuania	Lithuania	Lithuania	–
Investments 2021–2030 (10-year investment plan)[1]	~ EUR 1 billion	~ EUR 750 million	~ EUR 150 million	**~ EUR 1.9 billion**
Investments 2023–2026 (Strategic plan)	~ EUR 350–450 million	~ EUR 470–600 million	~ EUR 80–120 million[2]	**~ EUR 0.9–1.1 billion**
Financing structure	Partially (11.0%, 3-year average) covered by EU funds (on a project-by-project basis)	Partially (30.7%, 3-year average) covered by customers' fees	Fully (100%, 3-year average) covered by the Group	**Mostly (80.5%, 3-year average) covered by the Group**
Ownership	100%	100%	100%	**100%**
Progress	In 2023, around 930 km of power lines were reconstructed (with 245 km reconstructed in Q4 2023). Around 95% of the reconstructed lines were replaced with underground cables.	In 2023, 50,891 new electricity customers were connected and 25,119 capacity upgrades were carried out. It resulted in around 975 km of new power lines installed (with 254 km installed in Q4 2023).	In total, around 729 thousand smart meters were installed (with around 71% of the meters installed in 2023).	
Status	On track	On track	On track	

[1] The figures represent the latest 10-year investment plan for 2021–2030 approved by the regulator (National Energy Regulatory Council, NERC). During the reporting period, the updated 10-year investment plan for 2022–2031 period, with a significant increase in total investment to around EUR 2.5 billion, was submitted to NERC for review. According to the procedure, the plan will be updated after approval by NERC.
[2] Sagemcom Energy & Telecom SAS (France) is responsible for supplying the smart meters and implementing related IT services (data transfer technology – Narrowband Internet of Things).

2.4 Business environment

The Group's performance continues to be affected by macroeconomic and industry dynamics, particularly in the specific markets in which it operates. In order to assess the business environment and identify potential opportunities and challenges, we closely monitor economic indicators and industry developments. Our commitment to providing a comprehensive overview extends to highlighting relevant changes in the regulatory framework, ensuring a nuanced understanding of the markets in which we operate.

Macroeconomic environment

GDP

In 2023, GDP in the euro area and European Union (EU) remained stable compared to 2022. Looking ahead, the GDP in the euro area is expected to grow by 1.2% in 2024 and 1.6% in 2025, and, on a similar note, the EU's GDP is expected to grow by 1.3% and 1.7% respectively. Meanwhile, Lithuania's GDP in 2023 is down by 0.3% compared to last year. However, it is expected to grow by 2.5% in 2024 and by 3.4% in 2025. According to Eurostat's autumn forecast, our home markets' GDP growth prospects for 2024 and 2025 surpass the EU and the euro area (with the exception of Finland).

Inflation

In December 2023 the annual inflation rate in the euro area settled around 2.9%, down from 4.3% in September 2023. Out of all the countries we operate in, Poland had the highest inflation, reaching 15.3% at the end of the year. Inflation in Poland and Finland was above both the euro area and EU averages, while in other countries it was lower than in the EU and the euro area. Similarly, Poland is expected to have the highest harmonised CPI in 2024 and 2025, while all other home market countries are expected to have inflation either slightly below or similar to the EU and euro area.

GDP change, %

	2023 vs 2022	2024F	2025F
Lithuania	(0.3)	+2.5	+3.4
Latvia	+0.4	+2.4	+3.0
Estonia	-[1]	+1.9	+2.7
Finland	-[1]	+0.8	+1.5
Poland	-[1]	+2.7	+3.2
Euro area	**0.0**	**+1.2**	**+1.6**
EU	**0.0**	**+1.3**	**+1.7**

Source: Eurostat.
[1] No data is released yet.

Inflation rate change measured by harmonised CPI, %

	2023	2024F	2025F
Lithuania	+1.6	+2.9	+2.5
Latvia	+0.9	+3.2	+1.9
Estonia	+4.3	+3.5	+2.1
Finland	+1.3	+1.9	+2.0
Poland	+15.3	+6.2	+3.8
Euro area	**+2.9**	**+3.2**	**+2.2**
EU	**+3.4**	**+3.5**	**+2.4**

Source: Eurostat.

Industry environment

Overview of energy industry trends

- Falling electricity prices throughout the Baltic region were mainly the result of comfortable natural gas storage levels, falling demand, and a stabilised hydro balance in Scandinavia. The maintenance of electricity lines as a result of efforts to synchronise with the EU power systems was seen as the cause of price fluctuations throughout the Baltic region.
- Healthy storage levels, mild winter conditions, improved LNG import possibilities, and below long-term average consumption levels were the main factors contributing to the decline in natural gas prices.
- Higher wind and solar generation levels contributed to the increase in Lithuania's electricity generation and higher hydro generation led to more electricity generated in Latvia. In addition, the increase in electricity generation in Finland was led by higher generation by nuclear power plants. In contrast, generation in Estonia decreased due to lower production from shale oil, while a decrease in generation in Poland was linked to lower consumption.
- Energy demand continues to decline in all countries for the second year in a row. For electricity, it is due to the energy-intensive industries not yet being recovered from last year's production slump and the demand destruction process. Furthermore, the reduction in consumption can be attributed to the successful implementation of energy-saving measures. On the natural gas side, even though it currently has a better relative competitive position to oil products compared to 2022, an overall limited impact on demand in home markets was observed during 2023, with a continued decline in demand in Lithuania, Latvia and Estonia.

Electricity

Consumption, TWh

	2023	2022	Δ, %
Lithuania	11.7	12.2	*(4.1%)*
Latvia	6.5	6.8	*(4.4%)*
Estonia	8.1	8.2	*(1.2%)*
Finland	79.1	79.2	*(0.1%)*
Poland	166.9	172.9	*(3.5%)*
Total	**272.3**	**279.3**	***(2.5%)***

Generation, TWh

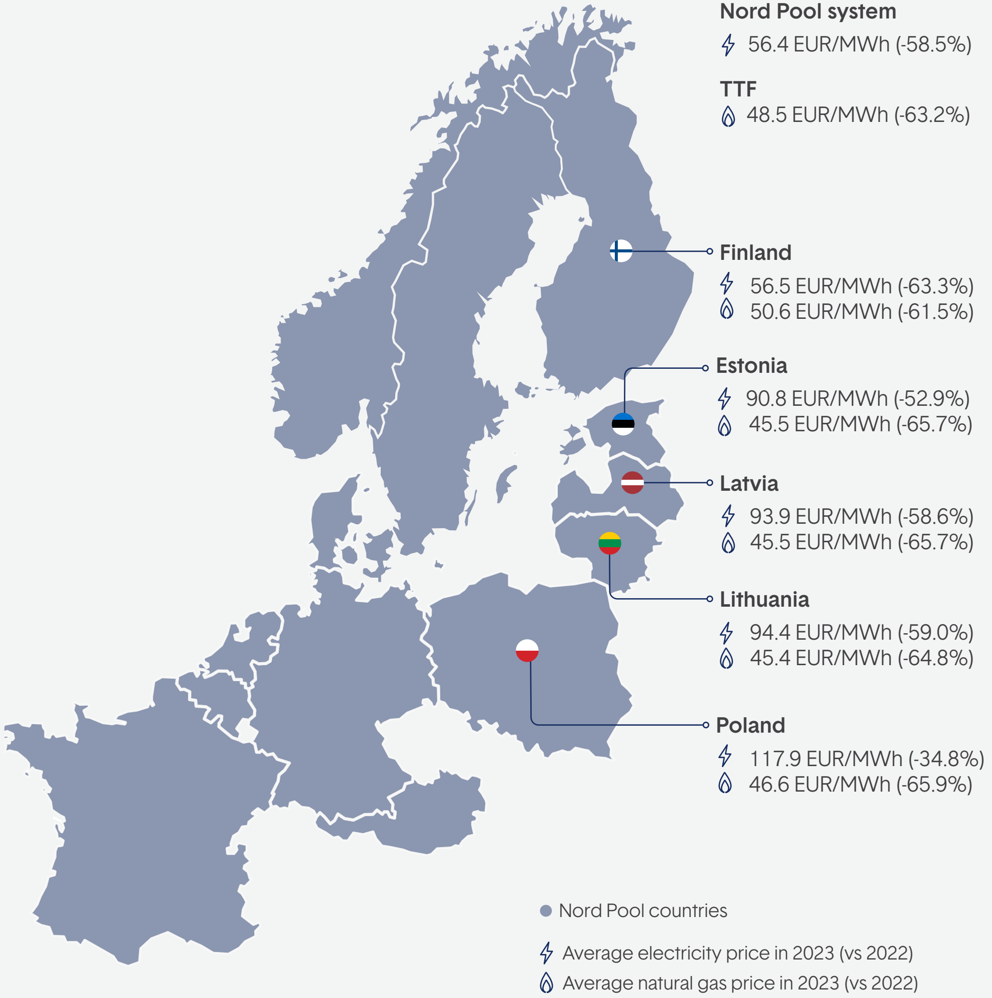
	2023	2022	Δ, %
Lithuania	6.2	4.2	*47.6%*
Latvia	5.7	4.4	*29.5%*
Estonia	4.6	6.9	*(33.3%)*
Finland	74.0	60.4	*22.5%*
Poland	164.8	176.2	*(6.5%)*
Total	**255.3**	**252.1**	***(1.3%)***

Natural gas

Consumption, TWh

	2023	2022	Δ, %
Lithuania	14.9	15.7	*(5.1%)*
Latvia	8.2	8.8	*(6.8%)*
Estonia	3.4	3.7	*(8.1%)*
Finland	13.4	11.5	*16.5%*
Poland	179.9	177.5	*1.4%*
Total	**219.8**	**217.2**	***(1.2%)***

Electricity and natural gas prices in home markets

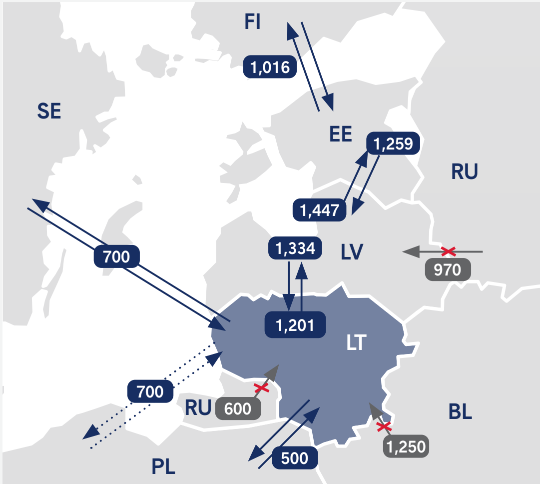


Regional interconnections and infrastructure

In recent years, there have been significant changes in terms of power and natural gas flows in our region. Electricity imports from Russia and Belarus to Lithuania have been stopped since autumn 2021 due to the launch of the Belarusian Astravyets Nuclear Power Plant (Belarusian ANPP). In addition, all Baltic countries have stopped importing electricity from Russia since Q2 2022, after Europe's Nord Pool power market stopped trading Russian electricity. It's important to note that Lithuania is one of the most interconnected countries in Europe, which allows it to cover its electricity demand despite the reduction in flows from third countries. The resilience and reliability of its electricity system is expected to increase even further after the synchronization project with the continental Europe is completed in 2025.

Regarding the natural gas, Lithuania was the first EU member state which suspended its purchases from Gazprom in the beginning of Q2 2022 by replacing it with LNG cargoes, mainly from the USA and Scandinavia. Furthermore, on 1 July 2022, a law prohibiting natural gas imports from Russia and other countries posing threat to the country's national security has entered into force. Finally, in autumn 2022, we secured a spot for 6 additional LNG cargoes per year until the end of 2032 at the Lithuanian LNG terminal in Klaipėda. Thus, even though natural gas is not the core business of the Group, we actively participate in every way possible to reduce natural gas dependency on Russia while ensuring uninterrupted supply to our customers.

Power interconnections[1]: enough to cover the demand despite the stopped Russian power imports



xx Transmission capacity (MW)

Interconnections with Russia and Belarus no longer in use

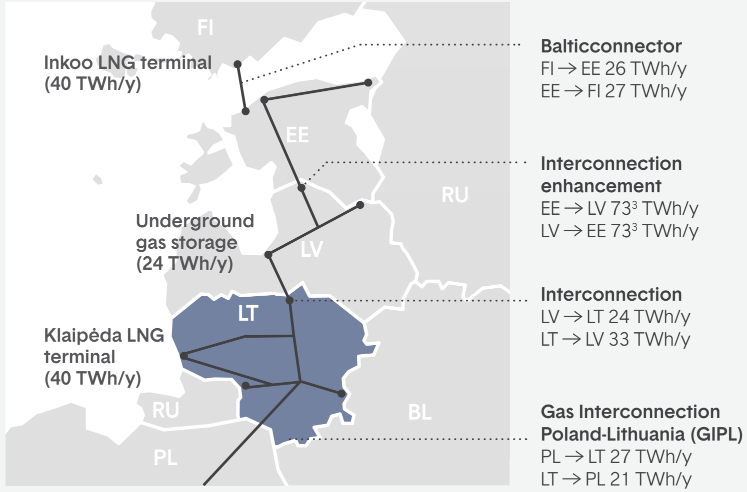
Interconnections in place

Interconnection under construction (Harmony Link, expected to be operational around 2028)

Lithuanian power capacity

Pre-war	Current	In 2028	**Peak demand**
4.1 GW	2.5 GW	3.2 GW	2.2 GW

Natural gas infrastructure[2]: supply ensured by imports through LNG terminals and inventory in underground storage



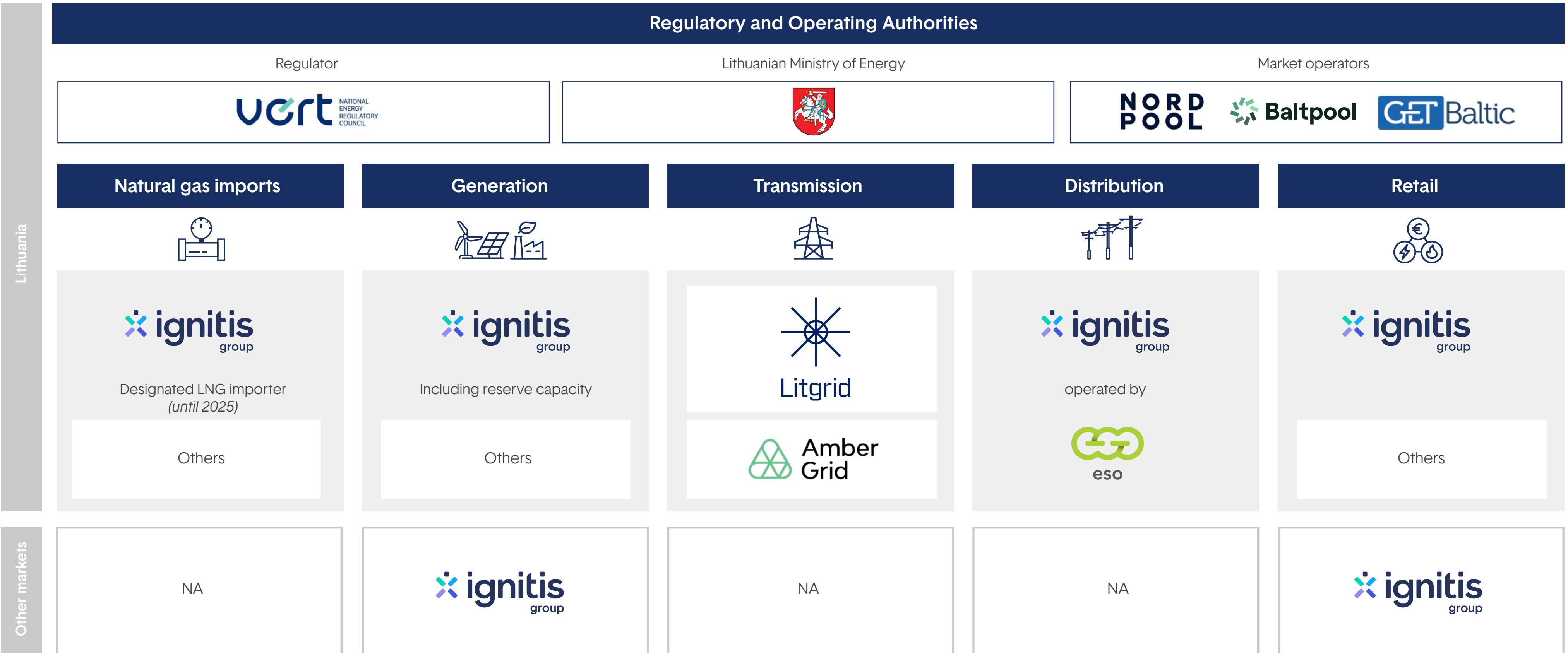
	Annual natural gas demand 2023, TWh/y	Change in natural gas consumption 2023 vs 2022,%
Poland	177.9	*(1.4%)*
Lithuania	14.9	*(5.1%)*
Finland	13.4	*16.5%*
Latvia	8.2	*(6.8%)*
Estonia	3.4	*(7.7%)*
Total	**219.8**	***(1.2%)***

[1] *Source: Nord Pool, IEA.*
[2] *Source: publicly available data.*
[3] *Source: based on the Group's data.*

The Group's role in home market countries

As the Group operates in the Baltic countries, Poland, and Finland, its role varies from country to country. In Lithuania, the Group plays a critical role in the energy value chain by participating in all energy-related activities, except the transmission services. By comparison, in other countries we either own and operate power generation assets, manage the retail business, or both. For further details, see the figure below.

The Group's contribution to the energy market's value chain



Regulatory environment: EU wide

Changes in EU emissions trading system (ETS)

As part of the 'Fit for 55' package, the ETS directive has been revised to align it with the new EU target set in the European Climate Law to reduce net greenhouse gas emissions by 55% (compared to 1990 levels) by 2030. Following this revision, the European Commission updated several regulatory acts for the implementation of the ETS.

This initiative updated the rules for monitoring and reporting emissions, which define in detail the regulated entities (according to the amendment to the ETS directive, the EU ETS II system includes the regulated entities supplying fuel to buildings, the road transport and additional sectors) that will be required to purchase the emission allowances to cover the greenhouse gas emissions of the fuel they used at the auctions.

Date of adoption: 10 May 2023

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, financial impact cannot be evaluated but expected not to have a significant impact on the Group level.

Revision of the Energy Efficiency Directive

To ensure that the EU's 2030 target of reducing greenhouse gas emissions by at least 55% (compared to 1990) can be met, the revised Energy Efficiency Directive was adopted on 13 September 2023. The revised directive raises new EU energy efficiency targets to reduce the EU's final energy consumption by 11.7% by 2030 as well as sets requirements for the EU countries to achieve cumulative end-use energy savings for the entire obligation period (running from 2021 to 2030). Also, the directive establishes "energy efficiency first" as a fundamental principle of the EU's energy policy, therefore, energy efficiency must be considered by the EU countries in all relevant policy and major investment decisions made in the energy and non-energy sectors. According to the directive, Member States have obligations to prioritise vulnerable customers and social housing within the scope of their energy savings measures and to put a stronger focus on alleviating energy poverty. Additionally, the directive expands the scope of energy audit obligations to include all those companies, regardless of their size (i.e., including small and medium enterprises), which are consuming energy above a certain threshold and makes energy management systems a mandatory requirement for large industrial energy consumers.

Date of adoption: 13 September 2023

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, financial impact cannot be evaluated.

Introduction of Wind Power Package

On 24 October 2023, the European Commission (EC) published the Wind Power Package, which includes Communication on the Wind Power Action Plan and Communication on delivering the EU offshore renewable energy ambitions. The Wind Power Action Plan sets out 15 actions that should be urgently taken together by the EC, the Member States and the industry to support EU companies in the wind sector and improve their competitiveness to ensure that the EU wind industry can continue to play a key role in the green transition.

The Communication on delivering the EU offshore renewable energy ambitions underlines the EC's continued commitment to offshore renewable energy and reaching the new offshore ambitions. It also takes stock of the progress achieved so far and addresses the main challenges ahead and proposes a way forward to realise the new offshore targets.

Two of the actions outlined in the Wind Power Action Plan have already been taken. Firstly, 26 national Ministers of Energy and high-level representatives of the wind sector have committed to a European Wind Charter, which contains a number of voluntary commitments aimed to align and swiftly implement the actions of the EC, the Member States and the wind sector. Secondly, 21 Member States have committed to specific, concrete pledges on wind energy deployment volumes for at least the 2024–2026 period.

Date of adoption: 24 October 2023

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Green Generation Networks Customers & Solutions Reserve Capacities

Regulatory environment: EU wide (cont.)

Hydrogen and gas markets decarbonisation package

The Council and the Parliament reached a provisional political agreement on a (i) regulation that establishes common internal market rules for renewable and natural gases and hydrogen; and (ii) the directive to establish common rules for the internal markets in renewable and natural gases and in hydrogen. The package is part of the Fit for 55 package. They are aimed at creating a regulatory framework for dedicated hydrogen infrastructure and markets and integrated network planning. They also establish rules for consumer protection and strengthen security of supply.

(i) Hydrogen and Gas Regulation
The purpose of regulation is to facilitate the penetration of renewable and low-carbon gases into the energy system, in particular hydrogen and biomethane. Relevant novelties include the following:
- provides for a separate new entity in the hydrogen sector: an EU entity for Hydrogen Network Operators (ENNOH);
- provisions allowing member states to adopt restrictions to the supply of natural gas, including liquefied natural gas (LNG), from Russia or Belarus;
- establish default provisions to operationalise the solidarity principle in case of a crisis, where bilateral agreements are not in place;
- for the hydrogen market every national regulatory authority must consult the neighbouring national regulatory authorities on the draft tariff methodology and submit it to the Agency for the Cooperation of Energy Regulators (ACER);
- acknowledgment of the EU's ambition to increase production of biomethane.

(ii) Hydrogen and Gas Directive
The directive seeks to facilitate the penetration of renewable and low-carbon gases into the energy system, enabling a shift from natural gas, with a view to reaching the EU's goal of climate neutrality in 2050.

Relevant novelties include the following:
- agreed on the split between Transmission System Operators (TSOs) and Distribution System Operators (DSOs) for hydrogen;
- member states must ensure that the right to switch supplier or market participant is granted to customers in a non-discriminatory manner in terms of cost, effort and time;
- member states empowered to decide how to protect vulnerable customers from disconnections;
- increased coordination between network development plans for hydrogen, electricity and natural gas is established.

Date of adoption: regulation - 15 December 2023 (proposal); directive - 14 December 2023 (proposal)

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

REMIT

The European Union has agreed on the regulation to improve the EU's protection against market manipulation in the wholesale energy market (REMIT). The REMIT regulation supports an open and fair competition in the European wholesale energy markets and sets the ground for increased market transparency and integrity.

REMIT is part of a wider reform of the EU's electricity market design. Relevant regulatory updates include the following:
- market participants are obliged to ensure that their representative has the necessary powers and means to ensure the market participant's efficient and timely compliance with the decisions and cooperation with the requests for information of the national regulatory authorities or the European Union Agency for the Cooperation of Energy Regulators (ACER);
- review of ACER's decision-making powers and competence to impose sanctions. ACER will now be able to conduct on-site inspections and issue requests for information as well as make statements;
- establishing the objection procedures to the exercise of ACER's investigation power;
- sanctions for legal and natural persons for the breaches of REMIT.

Date of adoption: 13 December 2023 (proposal)

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, financial impact cannot be evaluated but expected not to have a significant impact on the Group level.

Green Generation Networks Customers & Solutions Reserve Capacities

Regulatory environment: Pan-Baltic

EU electricity market design update

The European Union has agreed to reform the EU's electricity market design to:

- accelerate a surge in renewables and the phase-out of gas;
- make consumer bills less dependent on volatile fossil fuel prices;
- better protect consumers from future price spikes and potential market manipulation;
- make the EU's industry clean and more competitive.

The new electricity market design aims to make electricity prices less dependent on volatile fossil fuel prices, protect consumers from price spikes, speed up the energy transition and improve consumer protection. Among the measures agreed on are the promotion of power purchase agreements (PPAs), two-way contracts for differences (CfDs) for new power plants, the establishment of a capacity mechanism by member states with no limits on CO_2 emissions by the end of 2028, the establishment of freedom to choose an electricity supplier, etc.

Other relevant regulatory updates include the following:

- introduction of dedicated measurement devices and energy sharing;
- updated network tariff methodologies;
- enhanced role of flexibility;
- defined TSO/DSO cooperation;
- updated activities of the supplier of last resort, etc.

Date of adoption: 19 December 2023 (proposal)

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Agreement to synchronise the grids of the Baltic countries with the Continental Europe

On 2 August 2023 TSOs of Lithuania, Latvia, and Estonia, agreed on concrete steps and terms to synchronise the electricity networks of the Baltic countries with the Continental Europe, which will take place in February 2025. This is almost a year earlier than the previous deadline of the end of 2025. The agreement also stipulates that in the summer of 2024, half a year before the synchronisation, the Baltic countries will jointly withdraw from the BRELL contracts concluded with Russian and Belarusian operators. On 19 December 2023 the European Commission and the representatives of the Governments of Estonia, Latvia, Lithuania and Poland signed a corresponding political declaration, confirming their commitment to proceed at full speed to connect the electricity networks of the three Baltic states with the Continental Europe via Poland by February 2025. The Harmony Link project for synchronizing electricity grids with Europe is being considered to be replaced by an onshore connection instead of connection via the Baltic Sea.

Date of adoption: 2 August 2023

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

ACER Decision No 17/2023 on the alternative bidding zone configurations to be considered in the bidding zone review process for the Baltic region

On 21 December 2023 ACER has reached a decision that no alternative electricity bidding zone configurations need to be investigated in the Baltic region. The procedure to decide started on 26 September 2023. ACER's Decision is based on the feedback received from stakeholders in 2021, as well as on the following information provided by Transmission System Operators (TSOs): (i) the alternative configurations previously submitted to ACER; and (ii) the outcome of locational marginal pricing simulations (following the bidding zone review methodology approved in November 2020). ACER concludes that the current bidding zone configuration in the Baltic region is adequate, and no alternatives should be sought with priority. Nonetheless, this conclusion does not preclude the possibility to investigate potential mergers of the Baltic bidding zones in future reviews.

Date of adoption: 21 December 2023

Relevance to the Group's business segments:

Impact on the Group: As of report announcement date, financial impact cannot be evaluated.

Green Generation Networks Customers & Solutions Reserve Capacities

Regulatory environment: Lithuania

Lithuanian offshore wind legal framework

The Lithuanian government has been very active in developing the legal framework for offshore wind tenders and has adopted several laws and secondary legislation to define and improve the conditions for offshore tenders. The Lithuanian government decided to launch two offshore tenders:

- the first non-incentive offshore tender for the development of an offshore wind farm with a maximum permitted generation capacity of 700 MW and a minimum installed capacity of 580 MW was launched on 30 March 2023 and finished on 12 October 2023. Ignitis Renewables and its partner Ocean Winds were announced as the winners of the tender after bidding with the highest development fee of EUR 20 million;
- the second offshore tender with the application of incentive measures for the development of an offshore wind farm with a maximum permitted generation capacity of 700 MW and a minimum installed capacity of 700 MW. The tender is expected to be launched on 15 January 2024, following the European Commission's decision not to raise objections to the Lithuanian support scheme for offshore wind farms as of 4 October 2023 on the grounds that the aid under this support scheme is compatible with EU State aid rules. The maximum CfD price for the second tender was calculated and set by the National Energy Regulatory Council at 107.18 EUR/MWh and the minimum CfD price was set at 64.31 EUR/MWh.

Date of adoption: over the year 2023

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Introduction of the installed capacity cap

On 1 February 2023, the Government of the Republic of Lithuania passed resolutions defining the further development of onshore wind and solar photovoltaic plants:

- Resolution No. 66 established that after the limit of 2 GW of installed capacity of solar power plants is reached, further development of solar power plants will be carried out while applying the connection and operation restrictions (curtailment);
- Resolution No. 65 established the proportion of the grid capacities allocated for onshore wind and solar photovoltaic power plants.

Additionally, on 6 March 2023, the Lithuanian National Energy Regulatory Council adopted the LITGRID AB Description of the Procedure for the Use of Electricity Transmission Networks, which, among other things, set out rules for the further development of solar power plants after the limit of 2 GW of installed capacity is reached. On 7 November 2023 the Constitutional Court of Republic of Lithuania issued a Ruling on the Law on Energy from Renewable Sources and Resolution No. 66, which determined that the actions to be taken after the limit of 2 GW of installed capacity of solar power plants is reached, and the status and of network users that have already started the procedure of requesting access to the network by the time the limit was reached needed to be regulated by law. Hence on 19 December 2023 the Amendments to the Law on Energy from Renewable Sources were adopted by the Parliament, establishing that:

- after the limit of 2 GW of installed capacity of solar power plants is reached, further development of such power plants shall be allowed while applying connection and operation restrictions (curtailment);
- network users that have already started the procedure of requesting access to the network by the time the limit of 2 GW of installed capacity of solar power plants was reached shall develop their projects with a percentage of curtailment determined by the regulatory authority;
- after the limit of the generation capacity prescribed by the Government to the prosumers is reached, further development of prosumer power plants shall be allowed while applying connection and operation restrictions (curtailment).

Moreover, according to the Council Regulation 2022/1854, the regulation of mandatory cap on market revenues on inframarginal rents expired on the 30 June 2023.

Date of adoption: 1 February 2023

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, a negative but not significant impact is expected on the Group level.

Green Generation Networks Customers & Solutions Reserve Capacities

Regulatory environment: Lithuania (cont.)

Limiting the electricity suppliers' flexibility in B2C contract terms

The amendments to the Law on Electricity of the Republic of Lithuania stipulate that the new contracts with private customers, small and very small enterprises will prohibit suppliers:

- from unilateral contract termination by the clients;
- from asking to return any received discounts in case of unilateral contract termination by the clients;
- from switching fees or penalties for unilateral contract termination;
- from introducing termination fees when concluding new contracts.

Date of adoption: 27 April 2023

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, financial impact cannot be evaluated.

Regulation of long term inter-zonal hedging products

Lithuanian regulator (NERC), pursuant to European Commission regulation, has obliged AB "Litgrid" (TSO), within the timeframe of 6 months, to ensure that wholesale electricity market participants have the possibility to purchase long term inter-zonal hedging products within the timeframe. However, TSO delays in implementing this commitment without the need to provide long-term transmission rights.

Date of adoption: 27 June 2023

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, no significant financial impact is expected.

Amendments to the Methodology of separating the heat and electricity costs of cogeneration plants

The amendments to the Methodology of separating the heat and electricity costs of cogeneration plants are changing how the electricity revenues generated by a CHP are treated when the plant is in condensing mode due to the excess heat demand. The main changes include the following:

- changes in the wording and allocation of fixed costs by classifying repairs and servicing costs as fixed costs;
- changes how the electricity revenues generated by a CHP are treated when the plant is in condensing mode due to the excess heat demand;
- changes to the principles of the redistribution of a share of WtE cogeneration plant's profits/losses.

Date of adoption: 28 September 2023

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, no significant financial impact is expected.

Green Generation Networks Customers & Solutions Reserve Capacities

Regulatory environment: Lithuania (cont.)

Changes related to the state-owned companies' and their subsidiaries' right to provide humanitarian aid

According to the amendment to the Law on Development Cooperation and Humanitarian Aid, state-owned companies and their subsidiaries will now be able to provide humanitarian aid in the form of assets and cash after obtaining approvals and recommendations from competent authorities. This will allow the Group companies to contribute to providing aid to countries affected by disasters or war, including the EUR 12 million aid to the Ukraine as agreed by the General Meeting of Shareholders of the parent company on 30 March 2023.

Date of adoption: 14 December 2023

Relevance to the Group's business segments: The Group

Impact on the Group: as planned and approved by the General Meeting of Shareholders of the parent company on 30 March 2023.

Introducing the net-billing accounting system

There have been several amendments made to the laws (the Law on Energy from Renewable Sources and the Law on Electricity) to introduce the net-billing accounting system.

The amendments also include the following changes and requirements:

- setting a target of at least 55% of electricity produced from renewable energy sources compared to electricity consumption by 2030;
- ensuring a harmonious and balanced development of power plants using renewable energy resources;
- clarifying the conditions and procedures for connecting and accessing electricity networks to/by the hybrid power plants and storage facilities as well as amending the rules for network capacity reservation and changing the type of activities in the electricity sector.

Date of adoption: 19 December 2023

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Announcement on draft Hydrogen Guidelines 2024–2050

On 8 December 2023, the Lithuanian Government announced public consultations on the draft Hydrogen Guidelines 2024–2050. It is Lithuania's main strategic document for creating the regulatory environment for hydrogen, promoting hydrogen use in the transport sector and the industrial sector, promoting synergies between the hydrogen and the electricity sectors, creating hydrogen valleys and transport systems, evaluating hydrogen storage possibilities, establishing a hydrogen competence development system.

Date of adoption: planned approval in Q1 2024

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Green Generation Networks Customers & Solutions Reserve Capacities

Regulatory environment: Lithuania (cont.)

Amendments to the Methodology for determining the price caps for electricity transmission, distribution and public supply services

ESO (Networks) has agreed with the regulator (NERC) to amend the repayment period of the EUR 160 million regulatory difference to 2024–2031 (from 2024–2036). In this regard, NERC upgraded the methodology for calculating the additional tariff component and linked it to the leverage level cap of 5.5x (ESO net debt/ ESO adjusted EBITDA, both calculated based on NERC approved methodology), which means that if ESO's leverage level exceeds the predetermined cap, the additional tariff component will increase proportionally.

According to the amendment, the regulatory differences for B2C customers (EUR 57.1 million, including accrued interest) will be repaid over a period of 2 years and 3 months (from on 1 April 2024 to 30 June 2026). For B2B customers (EUR 100.6 million, including accrued interest), the repayment period is 7 years and 9 months (from 1 April 2024 to 31 December 2031).

The regulatory difference mentioned above relates to the changes in the Networks methodology in 2021 and, in turn, the recalculated ROI and D&A for the period 2018–2021. Accordingly, after the agreement made the Methodology for determining the price caps for electricity transmission, distribution and public supply services has been changed.

Date of adoption: 5 January 2024

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, no significant financial impact is expected.

The ongoing network modernisation

Regulatory environment: Latvia

Amendments to the Energy Law and the Electricity Market Law

On 14 July 2023 the Latvian Parliament approved amendments to the Energy Law and the Electricity Market Law. The new regulations provide the following:

- increasing the ability of households and businesses to produce and consume their own energy. Regulations allow apartment and home owners to agree on shared solar projects for personal consumption;
- simplifying the procedure for applying for permits for electricity generation facilities;
- introducing the regulations on active users, electricity sharing, energy communities, and the expansion of the net-metering system, which can be used by both individuals and legal entities;
- introducing payments to municipalities for wind farm development as a form of compensation for the inconvenience caused by the wind farm development;
- stipulating that from now on permits for the development of power generation facilities will be required from the Ministry of Economics only if the planned generation capacity exceeds 500 kW (currently the limit is indicated at 11.1 kW).

Date of adoption: 14 July 2023

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Changes in capacity permits regulation

New regulations on permits for the development of new electricity production equipment or for increasing the electricity production capacity have been introduced. Permits will now be issued by the State Construction Control Bureau.

The security deposit to develop a new power generation facility, increase or renew power generation capacity is EUR 200 for each MW provided in the permit. Additionally, hybrid have been made available for the development of hybrid energy generation facilities, solar and wind power plants. In the application for obtaining a hybrid permit, the developer has to indicate the production capacity and the percentage of the power of each type of the power plant. If one type of the power plants is being developed with a lower capacity than specified in the hybrid permit, the capacity of the other power under development must be reduced according to the proportion specified in the hybrid permit after the limit of the generation capacity prescribed by the Government to the prosumers is reached, further development of prosumer power plants shall be allowed while applying connection and operation restrictions (curtailment)

Date of adoption: Q4 2023

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Regulatory environment: Estonia

Proposal to amend the Estonian Building Code

Currently, in order to construct an offshore wind farm in Estonia, a separate superficies licence, a water permit and a building permit are needed. The legislative amendments consolidate the previous requirements of three different permitting procedures (the superficies license, the environmental permit for special water use (water permit), and the building permit) into a single consolidated offshore wind farm superficies license. Also, a state fee for the superficies licences has been introduced, which must be paid after the decision to initiate the superficies licence procedure is made. The amount of the state fee may be adjusted based on the environmental impact assessment (EIA). The EIA proceedings are streamlined and should take less time than under the current regulations.

Date of adoption: planned approval in H1 2024

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Green Generation Networks Customers & Solutions Reserve Capacities

Regulatory environment: Poland

Amendments to the Renewable Energy Sources Act

On 1 October 2023, the amendments to the Renewable Energy Sources Act (the "RES Act") entered into force. The new rules implemented the provisions of the EU directive RED II on the support of renewable energy in the electricity and heat markets. The changes included, inter alia, introduction of an expanded definition of the "modernisation" of a RES installation to the RES Act, and such modernised RES facilities shall be eligible to participate in auctions for the sale of electricity, together with new RES installations (there will be no separate auctions for modernised facilities). Two support systems for modernised installations using different types of biogas, hydropower or biomass were also introduced, one for the installations with a capacity less than 500 kW (feed-in-tariff) and the other for those with a capacity not less than 500 kW, however, not exceeding 1 MW (feed-in premium). Moreover, certain regulations on the promotion of energy clusters and the use of biomethane were also introduced. At the same time, the amendment increased the total capacity of offshore wind farms to be covered by the auction system for such installations from 5 GW to 12 GW, adding two additional auctions to be held in 2029 and 2031.

Date of adoption: 1 October 2023

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Energy Price Caps Act

On 31 December 2023, an amendment to the Energy Price Caps Act came into force. It extends the validity of the mechanism for freezing the energy prices for end-consumers, but from the perspective of the renewable energy producers, the most important change concerns the means of financing the Price Difference Payment Fund (in Polish, Fundusz Wypłaty Różnicy Ceny). From 1 January 2024 to 30 June 2024, the fund will be financed exclusively from the contributions paid by the entities extracting natural gas from deposits located on the territory of Poland, which means that energy producers as well as energy traders will no longer be obliged to pay the write-offs to the fund.

Date of adoption: 7 December 2023

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, no significant financial impact is expected on the Group level.

Auctions

In November 2023 the President of the Energy Regulatory Office held seven auctions for the sale of electricity to be generated from renewable energy sources. Out of those seven auctions, only two were conclusive, i.e., an auction for PV and onshore wind farms with a capacity not exceeding 1 MW and one with a capacity exceeding this value respectively. Photovoltaic power plants made up 97% of all the winning offers. Nearly 88 TWh of electricity with a maximum value of about PLN 40,8 billion was auctioned for sale, but in the end only 6 TWh were contracted (with a value of nearly PLN 2 billion). The auctions for RES installations using biomass and non-farm biogas, for new farm biogas plants with a capacity exceeding 1 MW and for RES installations using bioliquids, geothermal and hydropower installations were not resolved due to the insufficient number of offers.

Date of adoption: November 2023

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, no significant financial impact is expected on the Group level.

Green Generation Networks Customers & Solutions Reserve Capacities

Regulatory environment: Poland (cont.)

Amendments to the Energy Law

Amendments to the Energy Law included the following:

1. Termination of energy supply fixed-term agreements.
According to the amendment to the Article 4j(3a) of the Energy Law, the end consumer may terminate the contract concluded for a fixed period without incurring costs and compensations other than those resulting from the content of the contract by submitting a declaration of its termination to the trading company. The amount of these costs and compensation may not exceed the amount of direct economic losses suffered by the trading company as a result of the termination of the contract by the end consumer.

2. Dynamic price contracts.
A trading company selling energy to at least 200,000 end users is obliged to offer the sale of electricity under a contract with a dynamic electricity price and publish offers for a contract with a dynamic electricity price on its website. A contract with a dynamic price reflects the market price fluctuations. (Article 5(4g) of the Energy Law).

Date of adoption: 24 October 2023

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, financial impact cannot be evaluated.

Elections and new Government in Poland

Following the elections in October 2023, a new centre-right coalition government was sworn in on 13 December 2023. A change in the policy directions towards RES and green energy is expected, as already in November 2023 the soon-to-be coalition proposed a law amendment, which included liberalization of rules for the location and construction of wind farms in Poland, i.e., reduction the minimum distance of wind turbines from 700 to 500 meters. The changes also included provisions regarding locating wind farms dependent on the intensity of the sound they emit, and not, as currently, on their height. The provision have not been adopted yet and will constitute subject of a separate act in the future. In addition, this government is also expected to implement the RED III Directive.

Date of adoption: 13 December 2023

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Green Generation Networks Customers & Solutions Reserve Capacities

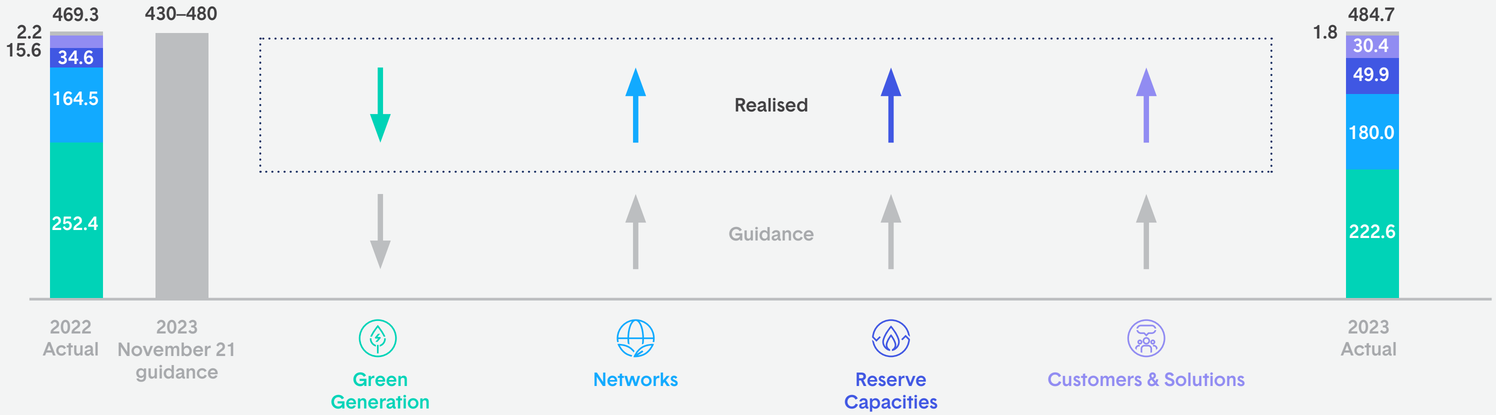
Results

3.1 Annual results

Follow-up on 2023 guidance

In the outlook provided in our Annual report 2022 and reiterated in all of our interim reports during 2023 we expected Group's Adjusted EBITDA for 2023 to be in the range of EUR 430–480 million. Adjusted EBITDA amounted to EUR 484.7 million and surpassed the higher end of our guidance communicated to the market by 1.0%. The outperformance was observed across all business segments with Reserve Capacities exceeding the expectations the most due to better market conditions (favourable clean spark spread) during Q4 2023. Additionally, results of all our segments were in line with provided directional guidance.

Adjusted EBITDA APM, EURm



Guidance history, EURm

28 February 2022	430–480
23 May 2023	430–480
22 August 2023	430–480
21 November 2023	430–480

Revenue

In 2023, total revenue decreased by EUR 1,837.8 million compared to 2022 and amounted to EUR 2,549.1 million. The decrease was recorded across all business segments, and the largest decrease occurred in the Customers & Solutions segment. A more detailed information is provided in section '8 Consolidated financial statements', note '6 Revenue'.

– Customers & Solutions segment's revenue was EUR 1,437.0 million lower than in 2022. The YoY decrease in revenue was recorded in both electricity and natural gas businesses. Revenue from natural gas business decreased (EUR -758.8 million), mainly due to a lower average TTF gas price index (-63.1%) and lower volume supplied (-33.8%). Revenue from electricity business also decreased (EUR -679.4 million) due to lower market prices (-58.7% average price in the Lithuanian market area) and lower retail volume supplied (-13.7%).

– Green Generation segment's revenue was EUR 115.8 million lower than in 2022. Revenue decreased primarily as a result of lower captured electricity prices, mainly due to the overall lower electricity market prices and the CfD subsidy scheme applied to Pomerania WF in Poland (CfD price is significantly lower compared to electricity market prices). In 2023 Pomerania WF sold 100% of the total electricity generated under the CfD subsidy scheme, while in 2022 only around 27% of the total electricity generated by the wind farm was sold under CfD.

– Reserve Capacities segment's revenue was EUR 112.2 million lower than in 2022. The decrease was driven by lower revenue from regulated activities (EUR -76.6 million), mainly due to additional regulatory revenue (EUR -64.6 million) in 2022, covering the expenses related to the acquisition of a supplementary natural gas reserve, and lower commercial activities (EUR -35.7 million), driven by lower market prices compared to 2022.

Consolidated statement of profit or loss, EURm

	2023	2022	Δ	Δ, %	2023	2022	Δ	Δ, %
	Adjusted				Reported			
Total revenue	**2,526.4**	**4,316.5**	***(1,790.1)***	***(41.5%)***	**2,549.1**	**4,386.9**	***(1,837.8)***	***(41.9%)***
Purchase of electricity, natural gas and other services	(1,757.7)	(3,608.7)	*1851.0*	*(51.3%)*	(1,757.7)	(3,608.7)	*1851.0*	*(51.3%)*
Ineffective energy hedging result	(8.1)	(18.5)	*10.4*	*(56.2%)*	(8.1)	(18.5)	*10.4*	*(56.2%)*
OPEX APM	(275.9)	(220.0)	*(55.9)*	*25.4%*	(275.9)	(220.0)	*(55.9)*	*25.4%*
Salaries and related expenses	(136.7)	(115.8)	*(20.9)*	*18.0%*	(136.7)	(115.8)	*(20.9)*	*18.0%*
Repair and maintenance expenses	(61.1)	(40.6)	*(20.5)*	*50.5%*	(61.1)	(40.6)	*(20.5)*	*50.5%*
Other OPEX	(78.1)	(63.6)	*(14.5)*	*22.8%*	(78.1)	(63.6)	*(14.5)*	*22.8%*
EBITDA APM	**484.7**	**469.3**	***15.4***	***3.3%***	**507.4**	**539.7**	***(32.3)***	***(6.0%)***
Depreciation and amortization	(153.1)	(137.7)	*(15.4)*	*11.2%*	(153.1)	(137.7)	*(15.4)*	*11.2%*
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(2.1)	(14.2)	*12.1*	*(85.2%)*	(2.1)	(14.2)	*12.1*	*(85.2%)*
Operating profit (EBIT) APM	**329.5**	**317.4**	***12.1***	***3.8%***	**352.2**	**387.8**	***(35.6)***	***(9.2%)***
Finance activity, net	(15.1)	(27.1)	*12.0*	*(44.3%)*	1.7	(50.5)	*52.2*	*n/a*
Income tax (expenses)/benefit	(27.8)	(34.3)	*6.5*	*(19.0%)*	(33.7)	(43.9)	*10.2*	*(23.2%)*
Net profit	**286.6**	**256.0**	***30.6***	***12.0%***	**320.2**	**293.4**	***26.8***	***9.1%***
Basic earnings per share (in EUR) APM	4.42	4.04	*0.38*	*9.4%*	4.42	4.04	*0.38*	*9.4%*
Dividends per share (in EUR) APM	1.29	1.24	*0.05*	*4.0%*	1.29	1.24	*0.05*	*4.0%*

Revenue, EURm

	2023	2022	Δ	Δ, %
Customers & Solutions	1,646.8	3,083.8	*(1,437.0)*	*(46.6%)*
Networks	592.0	681.1	*(89.1)*	*(13.1%)*
Green Generation	342.6	458.4	*(115.8)*	*(25.3%)*
Reserve Capacities	128.5	240.7	*(112.2)*	*(46.6%)*
Other activities and eliminations	(160.8)	(77.1)	*(83.7)*	*108.6%*
Total revenue	**2,549.1**	**4,386.9**	***(1,837.8)***	***(41.9%)***

– Networks segment's revenue was EUR 89.1 million lower than in 2022. The decrease was mainly driven by lower revenue from electricity transmission (EUR -97.4 million), due to lower tariffs set by the regulator, and lower revenue from the supply of last resort (EUR -45.8 million), due to lower electricity market prices. The result was partly offset by higher revenue from natural gas distribution (EUR +31.2 million) and electricity distribution (EUR +17.5 million) as higher electricity and natural gas distribution tariff components were approved by the regulator. The increase in tariffs was related to expectations that expenses from technological losses would be higher as a result of increasing electricity and natural gas prices.

EBITDA

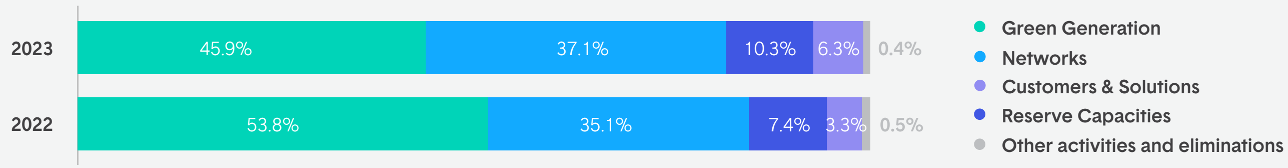
Adjusted EBITDA amounted to EUR 484.7 million in 2023 and was EUR 15.4 million, or 3.3%, higher than in 2022.

- Green Generation segment's Adjusted EBITDA was EUR 29.8 million lower than in 2022. Adjusted EBITDA decreased primarily as a result of lower captured electricity prices, mainly due to the overall lower electricity market prices and the CfD subsidy scheme applied to Pomerania WF in Poland. In 2023 Pomerania WF sold 100% of the total electricity generated under the CfD subsidy scheme, while in 2022 only around 27% of the total electricity generated by the wind farm was sold under CfD. Additionally, the Adjusted EBITDA decrease was also influenced by intensive expansion, which led to increased operating expenses.
- Networks segment's Adjusted EBITDA was EUR 15.5 million higher than in 2022, mainly due to the higher RAB effect (EUR +10.7 million).
- Reserve Capacities segment's Adjusted EBITDA was EUR 15.3 million higher than in 2022. The increase was related to the commercial activities' result (EUR +17.7 million), driven by utilised optionality to earn additional return in the market on top of the regulated return.
- Customers & Solutions segment's Adjusted EBITDA was EUR 14.8 million, higher than in 2022. The increase of the results was recorded in both electricity and natural gas supply businesses. In 2023 the electricity B2B segment turned profitable (in 2022 it experienced significant losses), mainly due to the resolved ineffective hedging, while the natural gas business recorded a positive effect as a result of adjusted methodology for calculation of income related to consumer over-declaration.

EBITDA, EURm

	2023	2022	Δ	Δ, %
Green Generation	222.6	252.4	*(29.8)*	*(11.8%)*
Networks	180.0	164.5	*15.5*	*9.4%*
Reserve Capacities	49.9	34.6	*15.3*	*44.2%*
Customers & Solutions	30.4	15.6	*14.8*	*94.9%*
Other activities and eliminations	1.8	2.2	*(0.4)*	*(18.2%)*
Adjusted EBITDA APM	**484.7**	**469.3**	***15.4***	***3.3%***

EBITDA, EURm



Operating profit (EBIT)

In 2023, Adjusted EBIT amounted to EUR 329.5 million and was EUR 12.1 million, or 3.8%, higher than in 2022. The main effect of the increase was higher Adjusted EBITDA (EUR +15.4 million) (the reasons behind the increase are described in the 'EBITDA' section above) and lower write-off and impairment expenses (EUR +12.1 million), which were partly offset by higher depreciation and amortisation expenses (EUR -15.4 million).

Operating profit (EBIT), EURm

	2023	2022	Δ	Δ, %
Green Generation	193.4	221.7	*(28.3)*	*(12.8%)*
Networks	77.1	62.6	*14.5*	*23.2%*
Reserve Capacities	39.1	23.1	*16.0*	*69.3%*
Customers & Solutions	27.3	13.4	*13.9*	*103.7%*
Other activities and eliminations	(7.4)	(3.4)	*(4.0)*	*117.6%*
Adjusted EBIT APM	**329.5**	**317.4**	***12.1***	***3.8%***

Net profit

Adjusted Net Profit amounted to EUR 286.6 million in 2023 and was 12.0% higher than in 2022. The increase is related to the positive EBIT impact (EUR +12.1 million) and lower income tax expenses (EUR +6.5 million). Additionally, the effect of higher interest expenses (EUR -5.0 million) was outweighed by higher interest income (EUR +15.9 million). The reported net profit increase was partially related to the successful activities of Smart Energy Fund.

Investments

In 2023, Investments amounted to EUR 937.1 million and were EUR 415.3 million, or 79.6%, higher compared to 2022. The increase was driven by new Green Generation projects and higher Networks Investments.

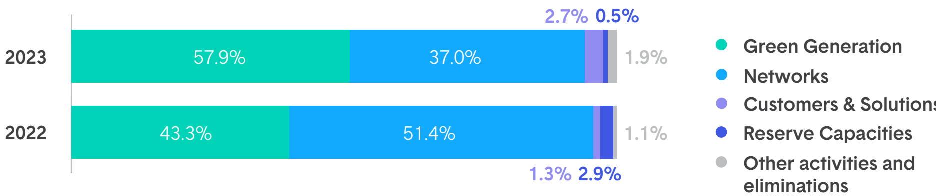
The largest share of Investments made were in the Green Generation segment (57.9% of total Investments). In total, Investments in the Green Generation segment more than doubled and reached EUR 542.7 million. The majority of Green Generation Investments were directed towards onshore wind farms in Lithuania and Poland, mainly in Kelmė WF I and II, Silesia WF I and II, Vilnius CHP's biomass unit as well as Kruonis PSHP expansion project.

Investments in the Networks segment in 2023 amounted to EUR 346.8 million and were 29.4%, or EUR 78.7 million, higher compared to 2022. Investments in the expansion of the electricity distribution network (excluding smart meters) increased by EUR 56.9 million, or 47.0%, and amounted to EUR 178.0 million. The main reasons behind the increase were higher number of new connections and upgrades as well as higher contractor fees. Additionally, Investments in smart meters increased by EUR 21.0 million in comparison to 2022 and amounted to EUR 44.7 million.

In 2023, grants and Investments covered by customers amounted to EUR 74.7 million and accounted for 8.0% of the total Investments. A part of the Investments into the Networks segment that is related to new connections, upgrades and infrastructure equipment transfers was covered by customers (EUR 58.8 million). Also, the Group received EUR 15.9 million in grants for Investments during 2023, which were related to the Vilnius CHP project (EUR 9.4 million) and the maintenance of electricity and natural gas distribution networks (EUR 6.5 million).

In 2023, EUR 686.6 million of the Investments were made in Lithuania. This amount represents 73.3% of the total Investments. The second largest share of Investments (EUR 208.9 million) was made in Poland.

Distribution of Investments, 2023, %



Investments by segment, EURm

	2023	2022	Δ	Δ, %
Green Generation	542.7	226.2	*316.5*	*139.9%*
Onshore wind	386.3	130.7	*255.6*	*195.6%*
Biomass / WtE	53.4	63.8	*(10.4)*	*(16.3%)*
Offshore Wind	50.8	20.8	*30.0*	*144.2%*
Solar	26.8	9.4	*17.4*	*185.1%*
Other	25.4	1.5	*23.9*	*1,593.3%*
Networks	346.8	268.1	*78.7*	*29.4%*
Total electricity network investments:	319.2	243.8	*75.4*	*30.9%*
Expansion of electricity distribution network (excl. smart meters)	178.0	121.1	*56.9*	*47.0%*
Expansion of electricity distribution network (smart meters)	44.7	23.7	*21.0*	*88.6%*
Maintenance of the electricity distribution network	96.6	99.0	*(2.4)*	*(2.4%)*
Total gas network investments:	14.6	14.7	*(0.1)*	*(0.7%)*
Expansion of gas distribution network	7.8	8.3	*(0.5)*	*(6.0%)*
Maintenance of the gas distribution network	6.8	6.4	*0.4*	*6.2%*
Other	12.9	9.6	*3.3*	*34.4%*
Customers & Solutions	25.0	6.8	*18.2*	*267.6%*
Reserve Capacities	4.9	15.0	*(10.1)*	*(67.3%)*
Other activities and eliminations	17.7	5.7	*12.0*	*210.5%*
Investments APM	**937.1**	**521.8**	***415.3***	***79.6%***
Total grants and Investments covered by customers:	(74.7)	(71.2)	*(3.5)*	*4.9%*
Grants	(15.9)	(29.0)	*13.1*	*(45.2%)*
Investments covered by customers[1]	(58.8)	(42.2)	*(16.6)*	*39.3%*
Investments (excl. grants and investments covered by customers)	**862.4**	**450.6**	***411.8***	***91.4%***

Investments by countries, EURm

	2023	2022	2023, %	2022, %
Lithuania	686.6	412.1	*73.3%*	*79.0%*
Poland	208.9	86.4	*22.3%*	*16.6%*
Other countries[2]	41.6	23.3	*4.4%*	*4.5%*
Total Investments:	**937.1**	**521.8**	***100.0%***	***100.0%***

[1] Investments covered by customers include new connections and upgrades, and infrastructure equipment transfers.
[2] Other countries mainly represent Investments in the United Kingdom and Latvia.

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Capital Employed

Capital Employed

As of 31 December 2023, the Group's Capital Employed amounted to EUR 3,580.9 million and increased by EUR 468.4 million compared to 31 December 2022, mainly due to significant investments made.

Equity

As of 31 December 2023, Equity increased by EUR 137.8 million, or 6.5%, compared to 31 December 2022, mostly due to net profit earned in 2023 (EUR +320.2 million). The increase was partly offset by the dividends paid (EUR -91.7 million) and the decline in hedging reserve (EUR -102.3 million), resulting from the deteriorated market prices to hedged prices ratio, which was very high last year due to extreme market prices. A more detailed information is provided in section '8 Consolidated financial statements', note '23 Equity'.

Net Working Capital

As of 31 December 2023, Net Working Capital amounted to EUR 175.2 million and decreased by EUR 268.1 million compared to 31 December 2022. The decrease was mainly driven by lower energy prices. The drivers behind the changes were the following:

- a decrease in total inventory (EUR -295.6 million), mainly in Customers & Solutions (EUR -288.4 million), due to the decrease in value of stored natural gas mainly due to lower market prices;
- lower trade receivables (EUR -158.5 million), mainly in Customers & Solutions (EUR -142.1 million), due to lower energy prices and lower volumes sold;
- lower prepayments (EUR -77.2 million), mainly in Reserve Capacities, mostly due to significant prepayments made in Q4 2022 for natural gas to fix the clean spark spread.

The decrease was partly offset by:

- a decrease in mark-to-market (MtM) reserve related to the Nasdaq commodities market (the cash part of all open derivatives positions[1]) (EUR +98.5 million);
- lower VAT payables (EUR +89.2 million);
- a decrease in the current portion of deferred revenue (EUR +79.6 million).

Additionally, in 2023 the Group started using trade financing agreements. As at December 31 2023, trade financing amounted to EUR 123.6 million. Trade financing agreements influenced the decrease of Net Working Capital as they are accounted as trade payables, due to which the trade payables' amounts remained at the same level despite the decrease in energy prices and volumes purchased.

Capital employed, EURm

	31 Dec 2023	31 Dec 2022	Δ	Δ, %
Non-current assets	4,216.9	3,249.5	*967.4*	*29.8%*
Net Working Capital APM	175.2	443.3	*(268.1)*	*(60.5%)*
Other assets	15.4	68.9	*(53.5)*	*(77.6%)*
Grants and subsidies	(300.1)	(296.8)	*(3.3)*	*1.1%*
Deferred income	(241.6)	(205.5)	*(36.1)*	*17.6%*
Deferred tax liabilities	(87.4)	(55.2)	*(32.2)*	*58.3%*
Non-current provisions	(60.7)	(17.6)	*(43.1)*	*244.9%*
Other assets and liabilities	(136.8)	(74.2)	*(62.6)*	*84.4%*
Capital Employed APM	**3,580.9**	**3,112.5**	***468.4***	***15.0%***
Equity	**2,263.4**	**2,125.6**	***137.8***	***6.5%***
Net Debt APM	**1,317.5**	**986.9**	***330.6***	***33.5%***
Adjusted ROCE APM	9.8%	10.7%	*(0.9 pp)*	*n/a*

[1] Mark-to-market (MtM) cash part is a sum of financial-derivatives-related cash flows, covering all payments that are settled in full each business day between counterparties. The daily cash settlement corresponds to the amount of fair value movement for futures products traded on the Nasdaq commodities market.

Financing

Net Debt

As of 31 December 2023, Net Debt amounted to EUR 1,317.5 million and increased by 33.5%, or EUR 330.6 million, compared to 31 December 2022, mainly due to negative FCF. In 2023 FCF was negative due to the significant amount of Investments made. The FFO / Net Debt ratio decreased from 49.1% to 29.4%. A more detailed information is provided in section '8 Consolidated financial statements', note '25 Financing'.

Interest rate

As of 31 December 2023, financial liabilities amounting to EUR 1,282.5 million were subject to a fixed interest rate (78.5% of gross debt), and the remaining amount of financial liabilities were subject to a floating interest rate and the effective interest rate was 2.59%.

Currency rate

As of 31 December 2023, 95.0% of the total debt is in EUR, and 5.0% in PLN.

Maturities

Bonds maturing in 2027 (EUR 300.0 million, green), in 2028 (EUR 300.0 million, green) and in 2030 (EUR 300.0 million) comprise the largest portion of the Group's financial liabilities. The average maturity of financial liabilities as of 31 December 2023 was 5.8 years (5.7 years on 31 December 2022).

Net debt, EURm

	31 Dec 2023	31 Dec 2022	Δ	Δ, %
Gross Debt APM	1,633.2	1,680.9	*(47.7)*	*(2.8%)*
Short-term deposits (including accrued interests)	110.4	-	*110.4*	*n/a*
Cash and cash equiv.	205.3	694.1	*(488.8)*	*(70.4%)*
Net Debt APM	**1,317.5**	**986.9**	***330.6***	***33.5%***
Net Debt / Adjusted EBITDA APM	2.72	2.10	*0.62*	*29.5%*
Net Debt / EBITDA APM	2.60	1.83	*0.77*	*42.1%*
FFO / Net Debt APM	29.4%	49.1%	*(19.7 pp)*	*n/a*

Debt summary, EURm

	Outstanding as of 31 Dec 2023	Effective interest rate (%)	Average time to maturity (years)	Fixed interest rate	Euro currency
Bonds (incl. interest)	900.9	1.96	5.3	100.0%	100.0%
Non-current loans including current portion of non-current loans	597.2	3.11	7.0	63.9%[1]	86.4%
Bank overdrafts, credit lines, and current loans	87.6	5.61	1.3	0.0%	100.0%
Lease liabilities	47.5	-	6.1	-	100.0%
Gross Debt APM	**1,633.2**	**2.59**	**5.8**	**78.5%**	**95.0%**

[1] As of 31 December 2023, one loan with a floating interest rate (with a residual value of EUR 110 million) was classified as fixed interest rate loan because an interest rate swap was carried out for this loan.

Bond issues

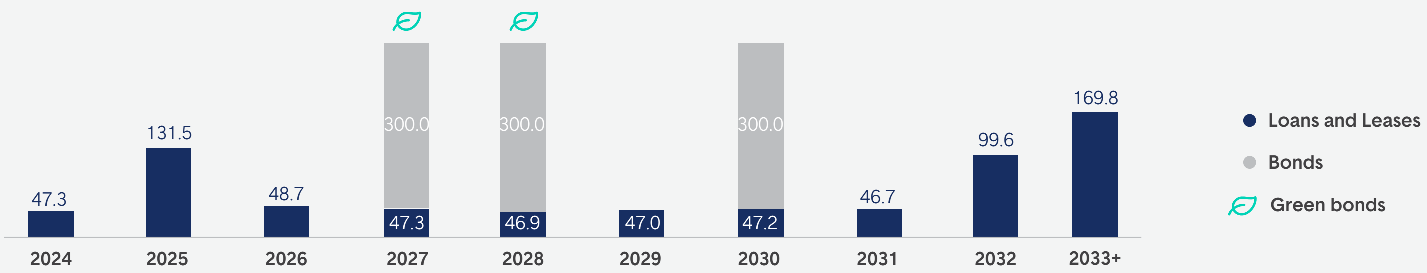
The Group has three bond issues with a total nominal outstanding amount of EUR 900.0 million. Two of them are green bonds (EUR 600.0 million).

During the reporting period, there have been no material changes regarding the bonds. The related information, including the structure of bondholders as of the issue date, is available in section '7.1 Further investor related information' of our Integrated Annual Report 2023.

Outstanding bond issues

	2017 issue	2018 issue	2020 issue
ISIN-code	XS1646530565	XS1853999313	XS2177349912
Currency	EUR	EUR	EUR
Nominal amount	300,000,000	300,000,000	300,000,000
Coupon	2.000	1.875	2.000
Maturity	17 July 2027	10 July 2028	21 May 2030
Credit rating	BBB+	BBB+	BBB+

Repayment schedule of the Group's financial liabilities[1], EURm



[1] The nominal value of issued bonds amounts to EUR 900 million. As of 31 December 2023, bonds accounted for EUR 891.8 million in the Consolidated statement of financial position as the nominal remaining capital will be capitalised until maturity according to IFRS.

Cash flows

CFO

Net cash flows from operating activities (CFO) in 2023 amounted to EUR 800.8 million. Compared to 2022, CFO increased by EUR 236.9 million, mainly due to the cash inflow from changes in the working capital (EUR 420.3 million in 2023 compared to EUR -25.4 million in 2022) and higher net profit (EUR +26.8 million). They were partly offset by reversal of inventory write down to NRV (EUR -88.6 million in 2023 compared to the write down to net realizable value of EUR +103.0 million in 2022).

CFI

Net cash flows from investing activities (CFI) amounted to EUR -1,081.1 million in 2023. The CFI indicator was more negative (EUR -625.4 million), mainly due to higher cash outflows related to the acquisition of PPE and intangible assets (EUR -399.2 million) and subsidiary acquisitions (EUR -114.3 million) compared to 2022 as well as the deposit (EUR -109.0 million) made by the Group.

CFF

Net cash flows from financing activities (CFF) amounted to EUR -208.5 million in 2023. CFF was negative due to repaid credit lines and overdrafts (EUR -341.1 million). Negative CFF was partly offset by additional loans received in the amount of EUR 285.9 million for Vilnius CHP and financing the Net Working Capital. In comparison, CFF in 2022 was positive, mainly due to additional bank credit lines and overdrafts received in the amount of EUR 172.9 million and due to the loans received in the amount of EUR 223.0 million, which were partly offset by repaid loans in the amount of EUR 119.7 million.

A more detailed information is provided in section ‘8.5 Consolidated statement of cash flows.

FFO

In 2023, the Group’s FFO decreased by 20.0% (EUR -96.7 million) and amounted to EUR 387.4 million. The main reason for the decrease was lower EBITDA and more income tax and interest paid.

FCF

In 2023, the Group’s FCF amounted to EUR -212.4 million. The main reason for the negative FCF was significant Investments made, which was partially offset by the positive changes in the working capital.

Cash flows, EURm

	2023	2022	Δ	Δ, %
Cash and cash equiv. at the beginning of the period	**694.1**	**449.1**	***245.0***	***54.6%***
CFO	800.8	563.9	*236.9*	*42.0%*
CFI	(1,081.1)	(455.7)	*(625.4)*	*137.2%*
CFF	(208.5)	136.8	*(345.3)*	*n/a*
Increase (decrease) in cash and cash equiv.	**(488.8)**	**245.0**	***(733.8)***	***n/a***
Cash and cash equiv. at the end of period	**205.3**	**694.1**	***(488.8)***	***(70.4%)***

FFO and FCF, EURm

	2023	2022	Δ	Δ, %
EBITDA APM	507.4	539.7	*(32.3)*	*(6.0%)*
Interest received	-	0.6	*(0.6)*	*(100.0%)*
Interest paid	(39.0)	(28.8)	*(10.2)*	*35.4%*
Income tax paid	(81.0)	(27.4)	*(53.6)*	*195.6%*
FFO APM	**387.4**	**484.1**	***(96.7)***	***(20.0%)***
Interests received	10.7	-	*10.7*	*n/a*
Investments APM	(937.1)	(521.8)	*(415.3)*	*79.6%*
Grants received	15.9	29.0	*(13.1)*	*(45.2%)*
Cash effect of new connection points and upgrades	39.7	28.2	*11.5*	*40.8%*
Proceeds from sale of PPE and intangible assets[1]	2.9	2.4	*0.5*	*20.8%*
Change in Net Working Capital	268.1	(4.6)	*272.7*	*n/a*
FCF APM	**(212.4)**	**17.3**	***(229.7)***	***n/a***

[1] Cash inflow indicated in the CF statement line ‘Proceeds from sale of property, plant and equipment, assets held for sale and intangible assets’ exclude the gain or loss which is already included in FFO.

Key operating indicators

In 2023, our Green Generation Portfolio increased by 2.0 GW to 7.1 GW (from 5.1 GW) as a result of the acquisition of onshore wind development projects (Kelmė WF I & II) in Lithuania with a total capacity of 0.3 GW, securing the seabed sites (Liivi 1 & 2) for the expected capacity of 1–1.5 GW[1] in the Estonian offshore wind tender and greenfield capacity additions of around 0.7 GW.

Secured Capacity increased to 2.9 GW (from 1.6 GW) as a number of projects, including Latvian solar portfolio I (239 MW), Kelmė WF I (105.4 MW) and Kelmė WF II (194.6 MW), Kruonis PSHP expansion project (110 MW), and Tauragė solar project (22.1 MW) reached the construction phase and 700 MW Lithuanian offshore WF project reached the Awarded / Contracted phase. Installed Capacity increased to 1.3 GW (from 1.2 GW) as Mažeikiai WF (63 MW) in Lithuania reached COD in August 2023, and Vilnius CHP biomass unit reached partial COD for the capacity of 50 MWe and 149 MWth (out of 73 MWe, 169 MWth) in December 2023.

Electricity Generated (net) increased by 0.15 TWh, or 7.6%, YoY and in 2023 amounted to 2.07 TWh. The increase in the Electricity Generated (net) was driven by Mažeikiai WF (63 MW), which reached COD in August 2023.

The electricity sales decreased by 1.10 TWh, or 13.7%, compared to 2022. The decline was noticed across both B2B and B2C segments and was driven by a generally lower consumption in the region, growing prosumers' generation as well as increased competition.

Total distributed electricity volume decreased by 0.28 TWh, or 2.8%, YoY. The decrease was driven by the B2B segment due to a noticeable decline in industrial production, a decrease in electricity consumption by retail and service industries as well as an increase in prosumers' generation.

Electricity SAIFI indicator, which reflects the average number of unplanned long interruptions per customer, improved compared to the previous year and was 1.35 interruptions (1.21 interruptions in 2022). Electricity SAIDI indicator, which shows the average duration of unplanned interruptions, improved to 121 minutes (compared to 179 minutes in 2022). Electricity quality indicators were significantly better due to the higher number of installed automatic solutions, management of staff levels based on weather forecast and favourable weather conditions over the first half of 2023.

In 2023, Heat Generated (net) amounted to 1.07 TWh and increased by 0.18 TWh, or 20.8%, YoY due to the higher generation at Vilnius CHP.

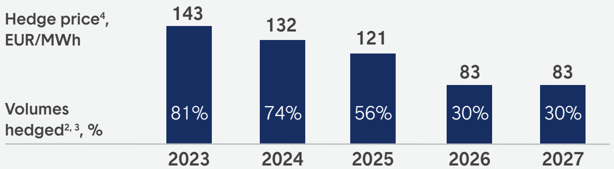
The natural gas sales decreased by 3.51 TWh, or 27.4%, mainly due to a fall in retail sales across all markets, except Poland. The main causes were warmer weather and lower consumption of industrial customers. In Lithuania, natural gas distribution volumes dropped by 0.36 TWh, or 5.4%, YoY.

[1] While the theoretical potential capacity of secured seabed sites is calculated to be 2.3 GW, depending on environmental impact assessment results, site optimisation as well as other factors, the actual capacity of the offshore wind farm is expected to be 1–1.5 GW. The Group currently includes the minimum size (1 GW) of the actual capacity in the Portfolio.

Key operating indicators

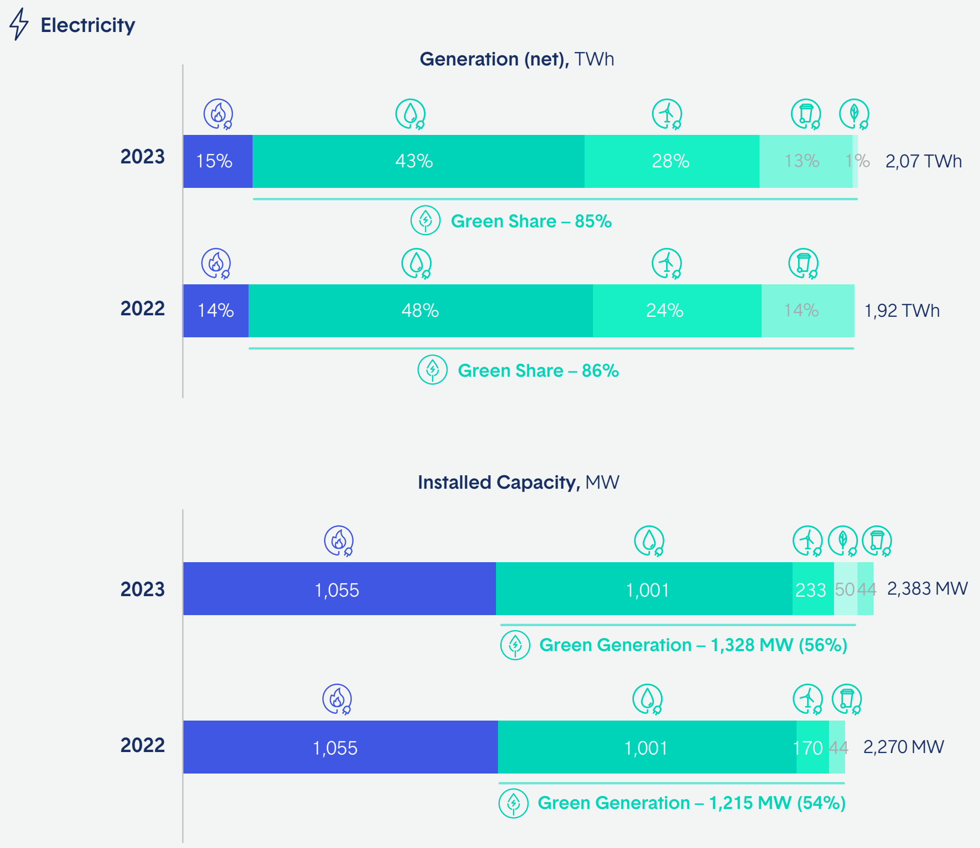
		31 Dec 2023	31 Dec 2022	Δ	Δ, %
Electricity	GW				
Green Generation Portfolio	GW	7.1	5.1	*2.0*	*39.4%*
Secured Capacity	GW	2.9	1.6	*1.4*	*87.4%*
Installed Capacity	GW	1.3	1.2	*0.1*	*9.3%*
Under Construction	GW	0.9	0.4	*0.6*	*158.1%*
Awarded / Contracted	GW	0.7	-	*0.7*	*-%*
Advanced Development Pipeline	GW	1.0	0.7	*0.2*	*34.0%*
Early Development Pipeline	GW	3.3	2.8	*0.4*	*14.3%*
Heat					
Heat Generation Capacity	GW	0.3	0.3	-	*-%*
Installed Capacity	GW	0.3	0.2	*0.1*	*82.8%*
Under Construction	GW	0.0	0.2	*(0.1)*	*(88.2%)*
		2023	**2022**	**Δ**	**Δ, %**
Electricity					
Electricity Generated (net)	TWh	2.07	1.92	*0.15*	*7.6%*
Green Electricity Generated (net)	TWh	1.76	1.65	*0.11*	*6.4%*
Green Share of Generation	%	85.0%	85.9%	*(1.0 pp)*	*n/a*
Electricity sales	TWh	6.88	7.98	*(1.10)*	*(13.7%)*
Electricity distributed	TWh	9.73	10.01	*(0.28)*	*(2.8%)*
SAIFI	units	1.35	1.52	*(0.17)*	*(11.0%)*
SAIDI	min.	121	179	*(58)*	*(32.4%)*
Heat					
Heat Generated (net)	TWh	1.07	0.89	*0.18*	*20.8%*
Natural gas					
Natural gas sales	TWh	9.29	12.80	*(3.51)*	*(27.4%)*
Natural gas distributed	TWh	6.32	6.68	*(0.36)*	*(5.4%)*

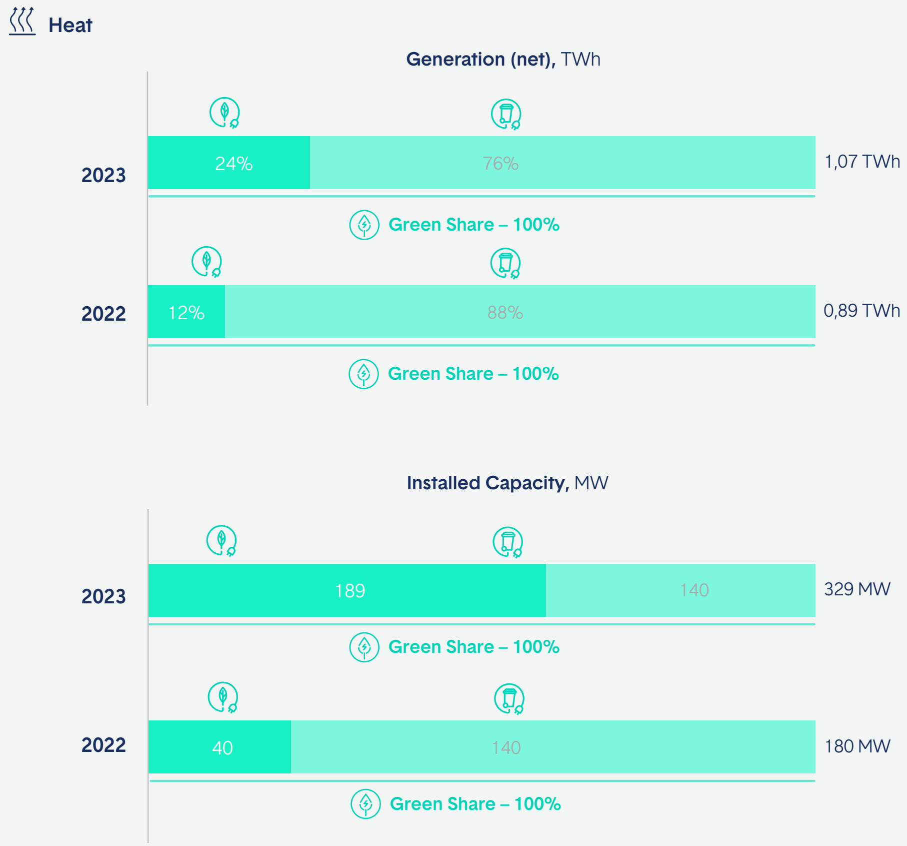
Generation Portfolio hedging levels[1]



[1] Hedging levels are provided for the duration of the strategic period. [2] Generation Portfolio includes the total electricity generation of Secured Capacity projects , except Kruonis PSHP as well as units 7, 8 and CCGT at Elektrėnai Complex. [3] Some of the PPAs are internal, the graph above illustrates the Green Generation segment's outlook (generated volumes). [4] Most PPAs are concluded for the base load, therefore, the actual effective hedge price can differ from the price in the contract due to the profile effect.

Installed Capacity and generation mix overview





Green Generation Hydro Wind Biomass Waste to energy | Reserve Capacities Natural gas

3.2 Five-year annual summary

Key financial indicators

		2023	2022	2021	2020	2019	*2023 Δ 2022*	*Δ, %*
Total revenue	EURm	2,549.1	4,386.9	1,898.7	1,223.1	1,099.3	*(1,837.8)*	*(41.9)*
EBITDA APM	EURm	507.4	539.7	343.2	334.3	207.1	*(32.3)*	*(6.0%)*
EBITDA margin APM	%	19.9%	12.3%	18.1%	27.6%	18.8%	*7.6 pp*	*n/a*
Adjusted EBITDA APM	EURm	484.7	469.3	332.7	245.9	259.9	*15.4*	*3.3%*
Green Generation	EURm	222.6	252.4	107.5	50.4	43.4	*(29.8)*	*(11.8%)*
Networks	EURm	180.0	164.5	145.4	137.7	180.5	*15.5*	*9.4%*
Reserve Capacities	EURm	49.9	34.6	37.2	29.3	22.0	*15.3*	*44.2%*
Customers & Solutions	EURm	30.4	15.6	40.6	26.7	10.9	*14.8*	*94.9%*
Other activities and eliminations	EURm	1.8	2.2	2.0	1.8	3.1	*(0.4)*	*(18.2%)*
Adjusted EBITDA margin APM	%	19.2%	10.9%	17.6%	24.8%	22.6%	*8.3 pp*	*n/a*
Operating profit (EBIT) APM	EURm	352.2	387.8	192.1	215.0	83.1	*(35.6)*	*(9.2%)*
EBIT margin APM	%	13.8%	8.8%	10.1%	17.6%	7.6%	*5.0 pp*	*n/a*
Adjusted EBIT APM	EURm	329.5	317.4	206.4	126.6	135.0	*12.1*	*3.8%*
Net profit	EURm	320.2	293.4	160.2	170.6	59.0	*26.8*	*9.1%*
Net profit margin APM	%	12.6%	6.7%	8.4%	13.8%	5.4%	*5.9 pp*	*n/a*
Adjusted Net profit APM	EURm	286.6	256.0	162.8	95.5	106.0	*30.6*	*12.0%*
Investments APM	EURm	937.1	521.8	234.9	346.8	453.2	*415.3*	*79.6%*
Green Generation	EURm	542.7	226.2	32.3	197.0	253.9	*316.5*	*139.9%*
Networks	EURm	346.8	268.1	191.2	141.1	179.0	*78.7*	*29.4%*
Reserve Capacities	EURm	4.9	15.0	0.2	1.5	0.5	*(10.1)*	*(67.3%)*
Customers & Solutions	EURm	25.0	6.8	2.9	3.2	3.2	*18.2*	*267.6%*
Other activities and eliminations	EURm	17.7	5.7	8.3	4.0	16.6	*12.0*	*210.5%*
FFO APM	EURm	387.4	484.1	299.4	309.4	189.5	*(96.7)*	*(20.0%)*
FCF APM	EURm	(212.4)	17.3	(240.6)	5.1	(189.8)	*(229.7)*	*n/a*
ROE APM	%	14.6%	14.7%	8.7%	10.6%	4.4%	*(0.1 pp)*	*n/a*
Adjusted ROE APM	%	13.1%	12.9%	8.9%	6.0%	8.0%	*0.2 pp*	*n/a*
ROCE APM	%	10.5%	13.1%	7.3%	9.1%	3.8%	*(2.6 pp)*	*n/a*
Adjusted ROCE APM	%	9.8%	10.7%	7.9%	5.4%	6.2%	*(0.9 pp)*	*n/a*
ROA APM	%	6.1%	6.2%	3.9%	4.8%	1.9%	*(0.1 pp)*	*n/a*
Basic earnings per share APM	EUR	4.42	4.04	2.16	2.30	1.04	*0.38*	*9.4%*
Dividends per share APM	EUR	1.29	1.24	1.19	1.14	0.52	*0.05*	*4.0%*

Key financial indicators (cont.)

		31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	*2023 Δ 2022*	*Δ, %*
Total assets	EURm	5,244.4	5,271.6	4,258.1	3,920.9	3,198.1	*(27.2)*	*(0.5%)*
Equity	EURm	2,263.4	2,125.6	1,855.9	1,813.3	1,348.6	*137.8*	*6.5%*
Net debt APM	EURm	1,317.5	986.9	957.2	600.3	966.5	*330.6*	*33.5%*
Net working capital APM	EURm	175.2	443.3	438.7	94.4	52.6	*(268.1)*	*(60.5%)*
Net working capital/Revenue APM	%	6.9%	10.1%	23.1%	7.7%	4.8%	*(3.2 pp)*	*n/a*
Capital Employed APM	EURm	3,580.9	3,112.5	2,813.2	2,413.6	2,315.1	*468.4*	*15.0%*
Equity ratio APM	times	0.43	0.40	0.44	0.46	0.42	*0.03*	*7.5%*
Net debt/EBITDA APM	times	2.60	1.83	2.79	1.80	4.67	*0.77*	*42.1%*
Net debt/Adjusted EBITDA APM	times	2.72	2.10	2.88	2.44	3.72	*0.62*	*29.5%*
Gross Debt/Equity APM	times	0.72	0.79	0.76	0.71	0.81	*(0.07)*	*(8.9%)*
FFO/Net debt APM	%	29.4%	49.1%	31.3%	51.5%	19.6%	*(19.7 pp)*	*n/a*
Current ratio APM	times	1.55	1.87	1.87	3.36	0.78	*(0.32)*	*(17.1%)*
Asset turnover APM	times	0.48	0.92	0.46	0.34	0.36	*(0.44)*	*(47.8%)*

Key operating indicators

		31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	*31 Dec 2023 Δ 31 Dec 2022*	*Δ, %*
Electricity								
Green Generation Portfolio	GW	7.1	5.1	2.6	2.6	1.4	*2.0*	*39.4%*
Secured Capacity	GW	2.9	1.6	1.4	1.4	1.3	*1.4*	*87.4%*
Installed Capacity	GW	1.3	1.2	1.2	1.1	1.1	*0.1*	*9.3%*
Under Construction	GW	0.9	0.4	0.1	0.2	0.2	*0.6*	*158.1%*
Awarded / Contracted	GW	0.7	-	-	-	-	*0.7*	*-%*
Advanced Development Pipeline	GW	1.0	0.7	0.1	-	0.1	*0.2*	*34.0%*
Early Development Pipeline	GW	3.3	2.8	1.1	1.0	-	*0.4*	*14.3%*
Heat								
Heat Generation Capacity	GW	0.3	0.3	0.3	0.3	0.3	*-*	*-%*
Installed Capacity	GW	0.3	0.2	0.2	0.1	0.0	*0.1*	*82.8%*
Under Construction	GW	0.0	0.2	0.2	0.2	0.3	*(0.1)*	*(88.2%)*
		2023	2022	2021	2020	2019	*2023 Δ 2022*	*Δ, %*
Electricity								
Electricity Generated (net)	TWh	2.07	1.92	2.36	2.52[1]	1.11[1]	*0.15*	*7.6%*
Green Electricity Generated (net)	TWh	1.76	1.65	1.55	1.32[1]	1.09[1]	*0.11*	*6.4%*
Green Share of Generation	%	85.0%	85.9%	65.4%	52.4%[1]	97.9%[1]	*(1.0 pp)*	*n/a*
Electricity sales	TWh	6.88	7.98	7.11	6.79	5.86	*(1.10)*	*(13.7%)*
Electricity distributed	TWh	9.73	10.01	10.37	9.55	9.55	*(0.28)*	*(2.8%)*
SAIFI	units	1.35	1.52	1.45	1.34	1.31	*(0.17)*	*(11.0%)*
SAIDI	min.	121	179	202	208	92	*(58)*	*(32.4%)*
Heat								
Heat Generated (net)	TWh	1.07	0.89	0.85	0.32	0.09	*0.18*	*20.8%*
Natural gas								
Natural gas sales	TWh	9.29	12.80	11.55	14.70	9.84	*(3.51)*	*(27.4%)*
Natural gas distributed	TWh	6.32	6.68	8.49	7.06	6.97	*(0.36)*	*(5.4%)*

[1] *Figures have been restated to include the quantities generated for balancing services.*

3.3 Results Q4

Key financial indicators, EURm

		Q4 2023	Q4 2022	Δ	Δ, %
Total revenue	EURm	707.5	1,359.1	*(651.6)*	*(47.9%)*
EBITDA APM	EURm	159.2	206.2	*(47.0)*	*(22.8%)*
Adjusted EBITDA APM	EURm	139.4	112.1	*27.3*	*24.4%*
Adjusted EBITDA margin APM	%	20.3%	8.9%	*11.4 pp*	*n/a*
Operating profit (EBIT) APM	EURm	118.3	162.6	*(44.3)*	*(27.2%)*
Adjusted EBIT APM	EURm	98.5	68.5	*30.0*	*43.8%*
Net profit	EURm	107.6	108.5	*(0.9)*	*(0.8%)*
Adjusted Net Profit APM	EURm	93.5	53.7	*39.8*	*74.1%*
Investments APM	EURm	303.4	154.0	*149.4*	*97.0%*
FFO APM	EURm	142.9	197.2	*(54.3)*	*(27.5%)*
FCF APM	EURm	(97.1)	*652.9*	*(750.0)*	*n/a*

Financial results

Revenue

Q4 2023 revenue amounted to EUR 707.5 million and decreased by EUR 651.6 million, or 47.9%, in comparison to Q4 2022. The decrease was recorded across all business segments, and the largest decrease occurred in the Customers & Solutions (EUR 504.7 million) segment, mainly due to lower natural gas and electricity prices and natural gas volumes sold.

Adjusted EBITDA

Q4 2023 Adjusted EBITDA amounted to EUR 139.4 million and increased by EUR 27.3 million, or 24.4%, in comparison to Q4 2022. The increase was mainly related to better results of the Customers & Solutions segment (EUR +29.2 million) as B2B electricity supply turned positive, mainly due to the resolved ineffective hedging, and natural gas business recorded a positive as a result of adjusted methodology for calculation of income related to consumer over-declaration.

Adjusted Net Profit

Q4 2023 Adjusted Net Profit amounted to EUR 93.5 million and increased by EUR 39.8 million, or 74.1%, in comparison to Q4 2022, mainly due to higher Adjusted EBITDA (EUR 27.3 million).

Investments

Q4 2023 Investments amounted to EUR 303.4 million and increased by EUR 149.4 million, or 97.0%, mainly due to higher Investments in the Green Generation segment, specifically, onshore wind farms in Lithuania and Poland.

Operating performance

As of 31 December 2023, the Green Generation Portfolio increased to 7.1 GW (from 6.3 GW as of 30 September 2023). The Secured Capacity reached 2.9 GW, as Latvian solar portfolio I (239 MW) and Kelmė WF II (194.6 MW) in Lithuania have reached the construction stage.

Electricity Generated (net) increased by 0.11 TWh, or 20.1%, QoQ. The increase was mainly driven by higher generation at Mažeikiai WF (63 MW), which reached COD in August 2023. Electricity sales decreased by 0.03 TWh, or 1.4%, compared to Q4 2022 and were mainly driven by lower B2B sales in all countries, except Poland.

The electricity distribution quality indicator SAIFI increased to 0.40 interruptions (compared to 0.31 in Q4 2022), and electricity SAIDI increased to 46 minutes (compared to 34 minutes in Q4 2022). Quarterly quality indicators deteriorated due to strong winds/local storms that caused mass disconnections during the fourth quarter of 2023.

Heat Generated (net) in Q4 2023 was 0.15 TWh, or 62.6%, higher compared to Q4 2022. The increase was mainly driven by generation at Vilnius CHP biomass unit that has achieved a partial COD (for the capacity of 149 MWth out of 169 MWth) in December 2023.

A QoQ decrease in natural gas sales by 1.19 TWh, or 31.0%, was mainly driven by significantly (1.00 TWh, or 34.5%) lower retail sales. In Lithuania, the natural gas distribution volumes increased by 0.24 TWh, or 11.8%, QoQ due to the increased needs of the B2B segment.

Key operating indicators

		31 Dec 2023	30 Sep 2023	Δ	Δ, %
Electricity					
Green Generation Portfolio	GW	7.1	6.3	*0.9*	*14.1%*
Secured Capacity	GW	2.9	2.5	*0.4*	*17.3%*
Installed Capacity	GW	1.3	1.3	*0.1*	*3.9%*
Under Construction	GW	0.9	0.5	*0.4*	*72.9%*
Awarded / Contracted	GW	0.7	0.7	-	-%
Advanced Development Pipeline	GW	1.0	1.4	*(0.4)*	*(31.3%)*
Early Development Pipeline	GW	3.3	2.4	*0.9*	*37.5%*
Heat					
Heat Generation Capacity	GW	0.3	0.3	-	-%
Installed Capacity	GW	0.3	0.2	*0.1*	*82.8%*
Under Construction	GW	0.0	0.2	*(0.1)*	*(88.2%)*
		Q4 2023	**Q4 2022**	**Δ**	**Δ, %**
Electricity					
Electricity Generated (net)	TWh	0.67	0.56	*0.11*	*20.1%*
Green Electricity Generated (net)	TWh	0.51	0.42	*0.09*	*21.6%*
Green Share of Generation	%	76.6%	75.7%	*0.9 pp*	*n/a*
Electricity sales	TWh	1.88	1.91	*(0.03)*	*(1.4%)*
Electricity distributed	TWh	2.70	2.51	*0.18*	*7.4%*
SAIFI	units	0.40	0.31	*0.09*	*27.7%*
SAIDI	min.	46	34	*12*	*35.0%*
Heat					
Heat Generated (net)	TWh	0.40	0.25	*0.15*	*62.6%*
Natural gas					
Natural gas sales	TWh	2.65	3.83	*(1.19)*	*(31.0%)*
Natural gas distributed	TWh	2.26	2.02	*0.24*	*11.8%*

3.4 Quarterly summary

Key financial indicators

		Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Total revenue	EURm	707.5	471.2	442.1	928.3	1,359.1	1,294.7	741.9	991.2	733.2	427.3	344.7	393.4
EBITDA APM	EURm	159.2	108.3	44.7	195.3	206.2	122.1	119.8	91.6	88.0	83.8	83.8	87.4
Adjusted EBITDA APM	EURm	139.4	91.8	103.6	149.9	112.1	150.8	95.1	111.4	111.8	72.2	70.6	78.1
Adjusted EBITDA Margin APM	%	20.3%	20.2%	20.7%	17.0%	8.9%	11.4%	13.3%	11.0%	14.7%	17.4%	21.3%	20.3%
Operating profit (EBIT) APM	EURm	118.3	69.1	8.1	156.6	162.6	83.3	84.7	57.2	29.5	53.0	52.5	57.0
Adjusted EBIT APM	EURm	98.5	52.7	67.1	111.3	68.5	112.0	60.0	76.9	78.0	41.4	39.3	47.7
Net profit	EURm	107.6	56.8	28.6	127.2	108.5	70.1	68.0	46.8	47.9	51.2	18.0	43.0
Adjusted Net Profit APM	EURm	93.5	42.9	61.4	88.7	53.7	94.4	46.8	61.1	70.2	29.2	28.3	35.1
Investments APM	EURm	303.4	231.1	281.8	120.8	154.0	188.1	117.5	62.0	103.1	54.1	48.7	29.0
FFO APM	EURm	142.9	82.8	(23.7)	185.3	197.2	101.4	96.2	89.3	82.9	67.4	65.1	84.0
FCF APM	EURm	(97.1)	(165.5)	(157.8)	208.0	652.9	(385.5)	(92.8)	(157.2)	(278.5)	(47.3)	54.3	30.9
ROE LTM[1] APM	%	14.6%	14.8%	15.9%	18.4%	14.7%	11.5%	10.8%	8.6%	8.7%	11.1%	10.1%	12.0%
Adjusted ROE LTM[1] APM	%	13.1%	11.4%	14.2%	13.9%	12.9%	13.7%	10.7%	10.0%	8.9%	9.1%	9.1%	8.9%
ROCE LTM[1] APM	%	10.5%	11.4%	13.0%	16.7%	13.1%	8.3%	7.9%	7.1%	7.3%	9.9%	9.7%	10.2%
Adjusted ROCE LTM[1] APM	%	9.8%	8.6%	11.3%	12.1%	10.7%	10.7%	9.1%	8.8%	7.9%	7.8%	7.9%	7.7%
		31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sept 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sept 2021	30 Jun 2021	31 Mar 2021
Total assets	EURm	5,244.4	5,067.9	5,049.7	4,928.2	5,271.6	5,304.7	4,614.5	4,623.0	4,258.1	4,131.1	3,967.5	3,975.2
Equity	EURm	2,263.4	2,100.9	2,083.6	2,060.3	2,125.6	2,228.2	2,127.8	2,005.3	1,855.9	1,811.2	1,831.0	1,810.7
Net Debt APM	EURm	1,317.5	1,114.1	966.7	762.9	986.9	1,512.8	1,156.2	1,000.7	957.2	620.4	571.6	579.2
Net Working Capital APM	EURm	175.2	216.8	191.0	314.8	443.3	1,030.0	717.4	633.6	438.7	169.5	99.1	129.7
Capital Employed APM	EURm	3,580.9	3,214.8	3,050.1	2,823.3	3,112.5	3,741.0	3,284.0	3,006.0	2,813.2	2,431.6	2,402.6	2,389.9
Net Debt/EBITDA LTM APM	times	2.60	2.01	1.70	1.19	1.83	3.65	3.08	2.95	2.79	1.72	1.61	1.61
Net Debt/Adjusted EBITDA LTM APM	times	2.72	2.44	1.87	1.50	2.10	3.23	2.96	2.73	2.88	1.99	1.83	1.92
FFO LTM /Net Debt APM	%	29.4%	39.6%	47.6%	76.0%	49.1%	23.9%	28.4%	29.7%	31.3%	51.3%	55.4%	57.5%

[1] *These figures have been restated compared to the 2022 Annual report. For more information, see section '7.2 Notes on restated figures' of this report.*

Key operating indicators

		31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sept 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sept 2021	30 Jun 2021	31 Mar 2021
Electricity													
Green Generation Portfolio	GW	7.1	6.3	5.7	5.3	5.1	3.6	3.0	2.7	2.6	2.8	2.7	2.6
Secured Capacity	GW	2.9	2.5	1.8	1.6	1.6	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Installed Capacity	GW	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.1	1.1	1.1
Under Construction	GW	0.9	0.5	0.6	0.4	0.4	0.2	0.1	0.1	0.1	0.2	0.2	0.2
Awarded / Contracted	GW	0.7	0.7	-	-	-	-	-	-	-	-	-	-
Advanced Development Pipeline	GW	1.0	1.4	1.3	0.9	0.7	0.1	0.3	0.2	0.1	-	-	-
Early Development Pipeline	GW	3.3	2.4	2.6	2.8	2.8	2.1	1.4	1.1	1.1	1.2	1.1	1.0
Heat													
Heat Generation Capacity	GW	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Installed Capacity	GW	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Under Construction	GW	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2

		Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Electricity													
Electricity Generated (net)	TWh	0.67	0.44	0.41	0.55	0.56	0.37	0.41	0.59	0.61	0.58	0.59	0.58
Green Electricity Generated (net)	TWh	0.51	0.36	0.36	0.53	0.42	0.31	0.37	0.55	0.52	0.30	0.37	0.36
Green Share of Generation	%	76.6%	81.1%	88.4%	95.6%	75.7%	83.3%	90.9%	93.8%	84.4%	51.6%	62.1%	62.4%
Electricity sales	TWh	1.88	1.56	1.56	1.89	1.91	1.81	2.07	2.19	1.97	1.67	1.67	1.81
Electricity distributed	TWh	2.70	2.22	2.22	2.60	2.51	2.29	2.44	2.77	2.77	2.45	2.43	2.72
SAIFI	units	0.40	0.37	0.32[1]	0.27[1]	0.31	0.28	0.31	0.62	0.35	0.38	0.36	0.37
SAIDI	min.	46	42[2]	14	19	34	19	20	105	29	31	45	98
Heat													
Heat Generated (net)	TWh	0.40	0.20	0.20	0.28	0.25	0.16	0.18	0.30	0.28	0.12	0.21	0.23
Natural gas													
Natural gas sales	TWh	2.65	1.34	1.45	3.86	3.83	2.52	2.44	4.01	2.85	1.39	2.07	5.25
Natural gas distributed	TWh	2.26	0.78	0.97	2.31	2.02	0.77	1.21	2.68	2.74	1.02	1.41	3.32

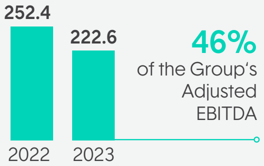
[1] Previously reported SAIFI values for Q1 2023 – 0.26 and Q2 2023 – 0.31 were corrected.
[2] Previously reported SAIDI value for Q3 2023 – 41 was corrected.

3.5 Results by business segments

Overview

Green Generation

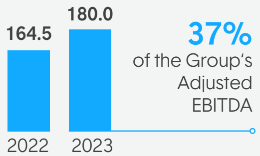
Adjusted EBITDA, EURm



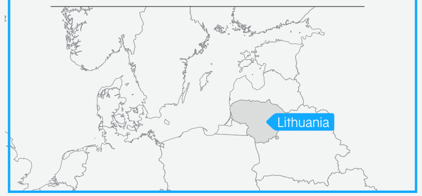
Revenue, EURm	342.6
Adjusted EBIT, EURm	193.4
Investments, EURm	542.7

Networks

Adjusted EBITDA, EURm

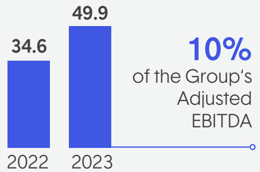


Revenue, EURm	592.0
Adjusted EBIT, EURm	77.1
Investments, EURm	346.8

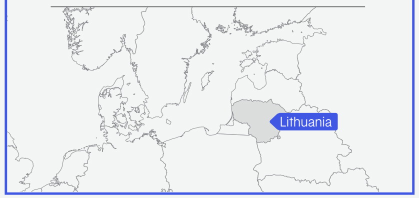


Reserve Capacities

Adjusted EBITDA, EURm

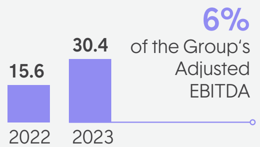


Revenue, EURm	128.5
Adjusted EBIT, EURm	39.1
Investments, EURm	4.9

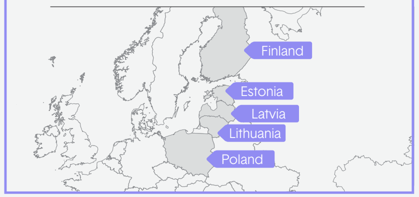


Customers & Solutions

Adjusted EBITDA, EURm



Revenue, EURm	1,646.8
Adjusted EBIT, EURm	27.3
Investments, EURm	25.0



Indicators provided in this page (except Revenue) are considered as Alternative Performance Measures APM.

Green Generation

2023 Q4 Highlights

- Since the beginning of 2023, our Green Generation Portfolio increased to 7.1 GW (from 5.1 GW), and our Secured Capacity grew to 2.9 GW (from 1.6 GW). For more information on Portfolio milestones, see section '2.3 Investment program' of this report.
- In October 2023, the Group, together with its partner Ocean Winds, were confirmed as the winners of the 700 MW Lithuanian offshore wind tender after submitting the highest development fee of EUR 20 million.
- In October 2023, Vilnius CHP biomass unit (73 MWe, 169 MWth) started to generate and supply heat to Vilnius city.
- In October 2023, the Group and Umicore Poland signed a 10-year corporate PPA for 137 MW Silesia WF II.
- In October 2023, the Group completed the acquisition of Kelmė WF I & II projects (up to 300 MW) in Lithuania.
- In November 2023, the Group made the Final Investment Decision regarding the Latvian solar portfolio I (239 MW).
- In November 2023, the Group appointed Fugro to conduct a seabed survey for the Lithuanian offshore WF (700 MW) site.
- In December 2023, the Group, together with its partner CIP, won the first seabed site (Liivi 2) in Estonia's offshore wind tender after submitting the highest bid of EUR 1.7 million.

Key financial indicators, EURm

	2023	2022	Δ	Δ,%	Q4 2023	Q4 2022	Δ	Δ,%
Total revenue	342.6	458.4	*(115.8)*	*(25.3%)*	105.3	130.1	*(24.8)*	*(19.1%)*
Adjusted EBITDA APM	222.6	252.4	*(29.8)*	*(11.8%)*	68.2	66.6	*1.6*	*2.4%*
EBITDA APM	223.0	253.2	*(30.2)*	*(11.9%)*	68.6	67.4	*1.2*	*1.8%*
Adjusted EBIT APM	193.4	221.7	*(28.3)*	*(12.8%)*	60.7	59.8	*0.9*	*1.5%*
Operating profit (EBIT) APM	193.7	222.4	*(28.7)*	*(12.9%)*	61.0	60.5	*0.5*	*0.8%*
Investments APM	542.7	226.2	*316.5*	*139.9%*	180.8	59.8	*121.0*	*202.3%*
Adjusted EBITDA Margin APM	65.1%	55.2%	*9.9 pp*	*n/a*	65.1%	51.5%	*13.6 pp*	*n/a*
	31 Dec 2023	**31 Dec 2022**	**Δ**	**Δ, %**	**31 Dec 2023**	**30 Sep 2023**	**Δ**	**Δ. %**
PPE, intangible and right-of-use assets	1,325.3	856.0	*469.3*	*54.8%*	1,325.3	1,085.0	*240.3*	*22.1%*

- In December 2023, Vilnius CHP biomass unit reached partial COD for the capacity of 50 MWe and 149 MWth (out of 73 MWe, 169 MWth).
- In December 2023, the Group concluded a EUR 64 million non-recourse project financing agreement with EIB and NIB for Mažeikiai WF. It covers around 75% of the total investments in Mažeikiai WF.

After the reporting period:

- In January 2024, the Group, together with its partner CIP, won the second seabed site (Liivi 1) in Estonia's offshore wind tender after submitting the highest bid of EUR 1.2 million.
- In January 2024, Silesia WF I (50 MW) in Poland supplied the first power to the grid.

Financial results

Q4 results

In Q4 2023, the Green Generation segment's revenue amounted to EUR 105.3 million and was EUR 24.8 million, or 19.1%, lower than in Q4 2022. The revenue decrease was primarily a result of lower captured electricity prices due to the overall lower electricity market prices and the CfD subsidy scheme applied to Pomerania WF in Poland (CfD price is significantly lower compared to electricity market prices). In 2023 Q4 Pomerania WF sold 100% of the total electricity generated under the CfD subsidy scheme, while in 2022 Q4 only around 41% of the total electricity generated by the wind farm was sold under the CfD.

Adjusted EBITDA in Q4 2023 increased by 2.4%, or EUR 1.6 million, in comparison to Q4 2022 and amounted to EUR 68.2 million.

In Q4 2023 Investments increased by EUR 121.0 million, or 202.3%, compared to Q4 2022. The majority of Green Generation Investments were directed towards onshore wind farms in Lithuania and Poland, mainly in Kelmė WF I and II and Silesia WF II.

Operating performance

Q4 results

As of 31 December 2023, the Green Generation Portfolio increased to 7.1 GW (from 6.3 GW as of 30 September 2023). The Secured Capacity reached 2.9 GW, as Latvian solar portfolio I (239 MW) and Kelmė WF II (194.6 MW) in Lithuania have reached the construction phase.

Electricity Generated (net) increased by 0.09 TWh, or 21.6%. The increase was mainly driven by higher generation at Mažeikiai WF (63 MW), which reached COD in August 2023. Heat Generated (net) in Q4 2023 was 0.15 TWh, or 62.6%, higher compared to Q4 2022, due to generation at Vilnius CHP biomass unit that has reached partial COD for the capacity of 50 MWe and 149 MWth (out of 73 MWe, 169 MWth) in December 2023.

Key operating indicators

		31 Dec 2023	31 Dec 2022	*Δ*	*Δ, %*	31 Dec 2023	30 Sep 2023	*Δ*	*Δ, %*
Electricity									
Green Generation Portfolio	MW	7,144	5,125	*2,019*	*39.4%*	7,144	6,259	*886*	*14,1%*
Secured Capacity	MW	2,939	1,568	*1,371*	*87.4%*	2,939	2,505	*434*	*17.3%*
Installed Capacity	MW	1,328	1,215	*113*	*9.3%*	1,328	1,278	*50*	*3.9%*
Onshore wind	MW	233	170	*63*	*37.0%*	233	233	*-*	*-%*
Hydro	MW	1,001	1,001	*-*	*-%*	1,001	1,001	*-*	*-%*
Pumped-storage	MW	900	900	*-*	*-%*	900	900	*-*	*-%*
Run-of-river	MW	101	101	*-*	*-%*	101	101	*-*	*-%*
Waste	MW	44	44	*-*	*-%*	44	44	*-*	*-%*
Biomass	MW	50	-	*50*	*-%*	50	-	*50*	*-%*
Under Construction	MW	911	353	*558*	*158.1%*	911	527	*384*	*72.9%*
Onshore wind	MW	487	250	*237*	*94.8%*	487	292	*195*	*66.8%*
Solar	MW	291	30	*261*	*870.0%*	291	52	*239*	*459.6%*
Hydro	MW	110	-	*110*	*-%*	110	110	*-*	*-%*
Biomass	MW	23	73	*(50)*	*(68.5%)*	23	73	*(50)*	*(68.5%)*
Awarded / Contracted	MW	700	-	*700*	*-%*	700	700	*-*	**-%**
Advanced Development Pipeline	MW	955	712	*242*	*34.0%*	955	1,390	*(435)*	*(31.3%)*
Early Development Pipeline	MW	3,251	2,845	*406*	*14.3%*	3,251	2,364	*887*	*37.5%*
Heat									
Heat Generation Capacity	MW	349	349	*-*	*-%*	349	349	*-*	*-%*
Installed Capacity	MW	329	180	*149*	*82.8%*	329	180	*149*	*82.8%*
Under Construction	MW	20	169	*(149)*	*(88.2%)*	20	169	*(149)*	*(88.2%)*

		2023	2022	*Δ*	*Δ, %*	Q4 2023	Q4 2022	*Δ*	*Δ, %*
Electricity									
Electricity Generated (net)	TWh	1.76	1.65	*0.11*	*6.4%*	0.51	0.42	*0.09*	*21.6%*
Onshore wind	TWh	0.58	0.47	*0.11*	*23.6%*	0.21	0.13	*0.08*	*61.6%*
Hydro	TWh	0.89	0.92	*(0.03)*	*(3.2%)*	0.22	0.22	*(0.01)*	*(2.7%)*
Pumped-storage	TWh	0.52	0.54	*(0.02)*	*(4.4%)*	0.14	0.16	*(0.01)*	*(9.4%)*
Run-of-river	TWh	0.37	0.38	*(0.01)*	*(1.5%)*	0.08	0.07	*0.01*	*13.2%*
Waste		0.27	0.26	*0.01*	*4.4%*	0.07	0.07	*0.01*	*7.7%*
Biomass	TWh	0.01	-	*0.01*	*-%*	0.01	-	*0.01*	*-%*
Onshore wind farms availability factor	%	95.8%	98.7%	*(2.9 pp)*	*n/a*	96.8%	98.1%	*(1.3 pp)*	*n/a*
Onshore wind farms load factor	%	31.5%	31.6%	*(0.1 pp)*	*n/a*	40.6%	34.4%	*6.2 pp*	*n/a*
Wind speed	m/s	7.0	7.0	*0.0*	*0.3%*	7.7	6.6	*1.1*	*16.0%*
Heat									
Heat Generated (net)	TWh	1.07	0.89	*0.18*	*20.8%*	0.40	0.25	*0.15*	*62.6%*
Waste[1]	TWh	0.81	0.78	*0.03*	*4.2%*	0.23	0.22	*0.01*	*4.8%*
Biomass	TWh	0.26	0.11	*0.15*	*140.8%*	0.17	0.02	*0.14*	*591.8 %*

[1] Vilnius CHP and Kaunas CHP can use natural gas for starting/stopping the plant, running tests, etc., which are included in the reported values of 'Waste'.

Networks

2023 Q4 Highlights

- In October 2023 NERC established the income level for electricity distribution services for 2024, comprising EUR 318.0 million, which is 19.6% lower compared to the income level set for 2023 (EUR 395.5 million). The income level change was mainly caused by lower expenses from electricity technological losses, which have decreased due to lower electricity purchase prices (the purchase prices have decreased 3 times compared to the purchase prices in 2023).
- The smart meter roll-out was started in July 2022. As of 31 December 2023, we have successfully installed around 729 thousand smart meters, with around 120 thousand installed in Q4 2023.

After the reporting period:

- In January 2024 ESO has agreed with the regulator (NERC) to amend the repayment schedule of the EUR 160 million regulatory difference to 2024–2031 (from 2024–2036). In this regard, NERC updated the methodology for calculating the additional tariff component and linked it to the leverage level cap of 5.5x (ESO Net Debt/ ESO Adjusted EBITDA, both calculated based the methodology approved by NERC), which means that if ESO's leverage level exceeds the predetermined cap, the additional tariff component will increase proportionally.
- On 16 January 2024, NERC updated ESO electricity distribution price cap for 2024 (link in Lithuanian).

Key financial indicators, EURm

	2023	2022	Δ	Δ,%	Q4 2023	Q4 2022	Δ	Δ,%
Total revenue	592.0	681.1	*(89.1)*	*(13.1%)*	166.6	283.8	*(117.2)*	*(41.3%)*
Adjusted EBITDA APM	180.0	164.5	*15.5*	*9.4%*	51.3	47.8	*3.5*	*7.3%*
EBITDA APM	292.2	148.0	*144.2*	*97.4%*	73.8	109.0	*(35.2)*	*(32.3%)*
Adjusted EBIT APM	77.1	62.6	*14.5*	*23.2%*	24.9	15.3	*9.6*	*62.7%*
Operating profit (EBIT) APM	189.3	46.1	*143.2*	*310.6%*	47.3	76.6	*(29.3)*	*(38.3%)*
Investments APM	346.8	268.1	*78.7*	*29.4%*	100.2	89.6	*10.6*	*11.8%*
Adjusted EBITDA Margin APM	37.5%	23.6%	*13.9 pp*	*n/a*	35.4%	21.5%	*13.9 pp*	*n/a*
	31 Dec 2023	**31 Dec 2022**	**Δ**	**Δ, %**	**31 Dec 2023**	**30 Sep 2023**	**Δ**	**Δ. %**
PPE, intangible and right-of-use assets	2,046.5	1,805.3	*241.2*	*13.4%*	2,046.5	1,977.7	*68.8*	*3.5%*

Financial results

Q4 results

Revenue was 41.3%, or EUR 117.2 million, lower compared to Q4 2022. The decrease was mainly driven by the advance recovery of expenses from technological losses at the end of 2022 and lower revenue from the electricity transmission tariff component (EUR -48.1 million) in Q4 2023 due to lower tariffs set by the regulator.

Adjusted EBITDA was 7.3%, or EUR 3.5 million, higher compared to Q4 2022. The increase was mainly driven by the higher RAB effect (EUR +2.9 million).

Investments were 11.8%, or EUR 10.6 million, higher due to higher Investments made in the expansion of the electricity distribution network (EUR +4.9 million).

Operating performance

Q4 results

Electricity distributed increased by 0.18 TWh, or 7.4%, QoQ. The growth was driven by both the B2B segment, due to higher industrial production, and the B2C segment, due to higher electricity consumption.

The Q4 2023 electricity distribution quality indicator SAIFI increased to 0.40 interruptions (compared to 0.31 in Q4 2022), and the Q4 2023 electricity SAIDI increased to 46 minutes (compared to 34 minutes in Q4 2022). The quarterly quality indicators deteriorated due to strong winds/local storms that caused mass disconnections during the fourth quarter of 2023.

Key regulatory indicators

		2024[1]	2023[1]	2022[1]
Regulated activity share in Adjusted EBITDA	%	**100.00**	**100.00**	**100.00**
Total				
RAB	EURm	1,584	1,429	1,345
WACC (weighted average)	%	5.08	4.14	4.13
D&A (regulatory)	EURm	79.3	74.9	67.8
Additional tariff component	EURm	40.0	28.0	28.0
Deferred part of investments covered by clients and electricity equipment transfer[2]	EURm	n/a[3]	22.3	16.7
Electricity distribution				
RAB	EURm	1,332	1,183	1,097
WACC	%	5.09	4.17	4.16
D&A (regulatory)	EURm	67.6	64.5	58.5
Additional tariff component	EURm	40.0	28.0	28.0
Deferred part of investments covered by clients and electricity equipment transfer[2]	EURm	n/a[3]	20.7	15.2
Natural gas distribution				
RAB	EURm	252	246	248
WACC	%	5.03	3.99	3.98
D&A (regulatory)	EURm	11.7	10.4	9.3
Deferred part of investments covered by clients and electricity equipment transfer[2]	EURm	n/a[3]	1.6	1.5

[1] Numbers approved and published by the regulator (NERC).
[2] Actual numbers for 2023 from the Networks segment's Statement of Profit or Loss.
[3] Not determined by the regulator, only factual numbers used.

In Lithuania, the distributed natural gas volume in Q4 2023 increased by 0.24 TWh, or 11.8%, amounting to 2.26 TWh. The growth was driven by increased consumption in the B2B segment, while the B2C consumption decreased due to warmer weather conditions.

Key operating indicators

		31 Dec 2023	31 Dec 2022	Δ	Δ,%	31 Dec 2023	30 Sep 2023	Δ	Δ,%
Electricity									
Distribution network	thousand km	128	128	*1*	*0.7%*	128	128	*0*	*0.2%*
Number of customers	thousand	1,851	1,825	*26*	*1.4%*	1,851	1,845	*6*	*0.3%*
of which prosumers and producers	thousand	65	35	*30*	*84.1%*	65	60	*5*	*7.7%*
admissible power of prosumers and producers	MW	1,117	588	*529*	*89.9%*	1,117	1,029	*88*	*8.6%*
Number of smart meters installed	thousand	729	210	*519*	*246.6%*	729	609	*120*	*19.7%*
Natural gas									
Distribution network	thousand km	10	10	*0*	*0.5%*	10	10	*0*	*0.1%*
Number of customers	thousand	626	624	*2*	*0.3%*	626	625	*1*	*0.2%*
		2023	**2022**	**Δ**	**Δ,%**	**Q4 2023**	**Q4 2022**	**Δ**	**Δ,%**
Electricity									
Electricity distributed	TWh	9.73	10.01	*(0.28)*	*(2.8%)*	2.70	2.51	*0.18*	*7.4%*
of which B2C	TWh	3.25	3.20	*0.05*	*1.6%*	0.94	0.84	*0.10*	*11.8%*
of which B2B	TWh	6.47	6.81	*(0.34)*	*(4.9%)*	1.75	1.67	*0.08*	*5.1%*
Technological losses	%	4.1%	5.0%	*(1.0 pp)*	*n/a*	5.0%	6.3%	*(1.3 pp)*	*n/a*
New Connection Points	thousand	50.9	37.8	*13.1*	*34.5%*	9.4	12.1	*(2.7)*	*(22.1%)*
Connection Point Upgrades	thousand	25.1	26.2	*(1.1)*	*(4.0%)*	5.5	6.8	*(1.3)*	*(18.7%)*
Admissible power of new connection points and upgrades	MW	556	525	*31*	*6.0%*	126	137	*(12)*	*(8.7%)*
Time to connect (average)	c. d.	42	64	*(22)*	*(33.7%)*	40	68	*(28)*	*(41.5%)*
SAIFI	unit	1.35	1.52	*(0.17)*	*(11.0%)*	0.40	0.31	*0.09*	*27.7%*
SAIDI	min.	121	179	*(58)*	*(32.4%)*	46	34	*12*	*35.0%*
Supply of Last Resort	TWh	0.23	0.26	*(0.03)*	*(13.2%)*	0.06	0.06	*(0.00)*	*(4.9%)*
Natural gas									
Natural gas distributed	TWh	6.32	6.68	*(0.36)*	*(5.4%)*	2.26	2.02	*0.24*	*11.8%*
of which B2C	TWh	2.29	2.50	*(0.21)*	*(8.5%)*	0.87	0.89	*(0.02)*	*(2.0%)*
of which B2B	TWh	4.03	4.19	*(0.15)*	*(3.6%)*	1.39	1.13	*0.26*	*22.7%*
New connection points and upgrades	thousand	2.5	4.8	*(2.3)*	*(47.9%)*	0.7	1.0	*(0.3)*	*(34.7%)*
Technological losses	%	1.8%	1.8%	*(0.0 pp)*	*n/a*	1.5%	0.9%	*0.6 pp*	*n/a*
Time to connect (average)	c. d.	55	58	*(3)*	*(4.9%)*	59	56	*3*	*4.5%*
SAIFI	unit	0.003	0.003	*0.000*	*2.9%*	0.001	0.001	*0.000*	*14.7%*
SAIDI	min.	0.30	0.27	*0.02*	*8.3%*	0.04	0.04	*0.00*	*2.1%*
Customer experience									
NPS (Transactional)	%	52.1%	52.9%	*(0.8 pp)*	*n/a*	53.2%	58.5%	*(5.3 pp)*	*n/a*

Reserve Capacities

2023 Q4 Highlights

- In December 2023 TSOs of Lithuania, Latvia and Estonia agreed on concrete steps and a deadline to synchronize the Baltic countries' electricity networks with the synchronous grid of Continental Europe by February 2025. The agreement also stipulates that in the summer of 2024, half a year before the synchronization, the Baltic countries will refuse to extend the BRELL contracts concluded with Russian and Belarusian operators.
- During the reporting period, the segment's electricity generation assets contributed to the success of a unique test, organised by Litgrid (TSO), during which the Lithuanian electricity system operated completely independently.

After the reporting period:

- For the first time, units 7, 8 and CCGT of Elektrėnai Complex were operating simultaneously and, together with Kruonis PSHP and Kaunas HPP (Green Generation), supplied electricity to customers and covered more than 65% of the national electricity demand.

Financial results

Q4 results

Revenue was 43.0%, or EUR 32.3 million, lower compared to Q4 2022. The decrease was driven by commercial activities (EUR -27.6 million), driven by lower market prices compared to Q4 2022.

Adjusted EBITDA was 31.4%, or EUR 5.3 million, lower compared to Q4 2022. The decrease was driven by lower commercial activities' result (EUR -4.8 million) due to less favourable clean spark spread.

Key financial indicators, EURm

	2023	2022	Δ	Δ,%	Q4 2023	Q4 2022	Δ	Δ,%
Total revenue	128.5	240.7	*(112.2)*	*(46.6%)*	42.9	75.2	*(32.3)*	*(43.0%)*
Adjusted EBITDA APM	49.9	34.6	*15.3*	*44.2%*	11.6	16.9	*(5.3)*	*(31.4%)*
EBITDA APM	50.0	37.9	*12.1*	*31.9%*	11.7	20.2	*(8.5)*	*(42.1%)*
Adjusted EBIT APM	39.1	23.1	*16.0*	*69.3%*	9.0	14.4	*(5.4)*	*(37.5%)*
Operating profit (EBIT) APM	39.2	26.5	*12.7*	*47.9%*	9.1	17.8	*(8.7)*	*(48.9%)*
Investments APM	4.9	15.0	*(10.1)*	*(67.3%)*	2.6	0.4	*2.2*	*550.0%*
Adjusted EBITDA Margin APM	38.9%	14.6%	*24.3 pp*	*n/a*	27.2%	23.6%	*3.6 pp*	*n/a*

	31 Dec 2023	31 Dec 2022	Δ	Δ, %	31 Dec 2023	30 Sep 2023	Δ	Δ, %
PPE, intangible and right-of-use assets	278.6	288.9	*(10.3)*	*(3.6%)*	278.6	279.4	*(0.8)*	*(0.3%)*

Key regulatory indicators

		2024[1]	2023[1]	*2022[1]*
Regulated activity share in Adjusted EBITDA	**%**	**-**	**22.0**	***39.0***
Total				
RAB	EURm	-	-	*32.0*
WACC	%	-	-	*4.03*
D&A (regulatory)	EURm	11.2	10.6	*13.2*
CCGT				
RAB	EURm	-	-	-
WACC	%	-	-	-
D&A (regulatory)	EURm	7.2	7.6	*9.3*
Units 7 and 8				
RAB	EURm	-	-	*32.0*
WACC	%	-	-	*4.03*
D&A (regulatory)	EURm	4.0	3.0	*3.9*

[1] *Numbers approved and published by the regulator (NERC).*

Operating performance

Q4 results

The QoQ Electricity Generated (net) at CCGT as well as units 7 and 8 at Elektrėnai Complex amounted to 0.16 TWh and increased by 0.02 TWh, or 15.6%, compared to Q4 2022, due to a more favourable Clean Spark spread over Q4 2023.

The total Installed Capacity of Elektrėnai Complex is 1,055 MW, and 891 MW were used for isolated regime services with 260 MW provided by unit 7, 260 MW by unit 8 and 371 MW by CCGT. The tertiary active power reserve services have been abandoned. The impact of this is not material at the Group level.

Key operating indicators

		31 Dec 2023	31 Dec 2022	Δ	Δ,%	31 Dec 2023	30 Sep 2023	Δ	Δ,%
Electricity									
Installed electricity capacity	MW	1,055	1,055	-	-%	1,055	1,055	-	-%
Total reserve and isolated regime services	MW	891	891	-	-%	891	891	-	-%
Tertiary power reserve services	MW	-	519	*(519)*	*(100.0%)*	-	-	-	-%
Isolated system operation services	MW	891	372	*519*	*139.5%*	891	891	-	-%
		2023	**2022**	**Δ**	**Δ,%**	**Q4 2023**	**Q4 2022**	**Δ**	**Δ,%**
Electricity									
Electricity Generated (net)	TWh	0.31	0.27	*0.04*	*15.0%*	0.16	0.14	*0.02*	*15.6%*
Availability factor[1]	%	99.4%	100.0%	*(0.6 pp)*	*n/a*	97.9%	100.0%	*(2.1 pp)*	*n/a*
Load factor	%	3.4%	2.9%	*0.4 pp*	*n/a*	6.7%	5.8%	*0.9 pp*	*n/a*

[1] *Excluding planned refurbishment works.*

Customers & Solutions

2023 Q4 Highlights

- Purchase and sale agreements have been signed with four EV equipment suppliers, which will provide Ignitis with the latest charging equipment for developing the public charging network in all three Baltic states.
- Ignitis has experienced disruptions in natural gas supplies to its Finnish clients due to an incident in October related to the Balticconnector gas pipeline between Estonia and Finland, which was shut down since then.

Key financial indicators, EURm

	2023	2022	Δ	Δ,%	Q4 2023	Q4 2022	Δ	Δ,%
Total revenue	1,646.8	3,083.8	*(1,437.0)*	*(46.6%)*	442.3	947.0	*(504.7)*	*(53.3%)*
Adjusted EBITDA APM	30.4	15.6	*14.8*	*94.9%*	9.5	(19.7)	*29.2*	*n/a*
EBITDA APM	(59.9)	98.3	*(158.2)*	*n/a*	6.1	9.0	*(2.9)*	*(32.2%)*
Adjusted EBIT APM	27.3	13.4	*13.9*	*103.7%*	8.7	(20.4)	*29.1*	*n/a*
Operating profit (EBIT) APM	(62.9)	96.1	*(159.0)*	*n/a*	5.3	8.3	*(3.0)*	*(36.1%)*
Investments APM	25.0	6.8	*18.2*	*267.6%*	19.6	4.2	*15.4*	*366.7%*
Adjusted EBITDA Margin APM	1.8%	0.5%	*1.3 pp*	*n/a*	2.1%	(2.1)	*4.2 pp*	*n/a*
	31 Dec 2023	**31 Dec 2022**	**Δ**	**Δ, %**	**31 Dec 2023**	**30 Sep 2023**	**Δ**	**Δ. %**
PPE, intangible and right-of-use assets	25.0	10.7	*14.3*	*133.6%*	25.0	11.2	*13.8*	*123.2%*

Financial results

Q4 results

Revenue was 53.3%, or EUR 504.7 million, lower compared to Q4 2022. The decrease was driven by lower market prices of natural gas (-72.1% TTF gas price index) and electricity energy (-58.6% average price in the Lithuanian market area) as well as lower natural gas retail volumes sold (-34.5%).

Adjusted EBITDA was EUR 29.2 million higher compared to Q4 2022. In 2023 the electricity B2B segment turned profitable (in 2022 it experienced significant losses) mainly due to the resolved ineffective hedging, while the natural gas business recorded a positive effect as a result of adjusted methodology for calculation of income related to consumer over-declaration.

Operating performance

Q4 results

In Q4 2023 electricity sales decreased by 0.02 TWh, or 1.3%, compared to Q4 2022. The decrease was mainly driven by lower B2B sales in all countries, except Poland. Generally lower demand and increased competition continue to be the main reasons for the lower electricity sales. The decrease in natural gas sales by 1.19 TWh, or 31.0%, QoQ was mainly driven by significantly, i.e., 1.00 TWh, or 34.5%, lower retail sales.

Key operating indicators

		31 Dec 2023	31 Dec 2022	Δ	Δ,%	31 Dec 2023	30 Sep 2023	Δ	Δ,%
Electricity									
Number of customers	m	1.4	1.4	*(0.0)*	*(2.7%)*	1.4	1.4	*0.0*	*0.2%*
EV charging points	Units	376	251	*125*	*49.8%*	376	316[1]	*60*	*19.0%*
Natural gas									
Number of customers	m	0.6	0.6	*(0.0)*	*(0.3%)*	0.6	0.6	*(0.0)*	*(0.4%)*
Gas inventory	TWh	1.7	3.0	*(1.2)*	*(42.1%)*	1.7	2.5	*(0.7)*	*(30.3%)*
		2023	**2022**	**Δ**	**Δ,%**	**Q4 2023**	**Q4 2022**	**Δ**	**Δ,%**
Electricity sales									
Lithuania	TWh	5.22	6.18	*(0.97)*	*(15.6%)*	1.41	1.54	*(0.13)*	*(8.6%)*
Latvia	TWh	0.75	1.12	*(0.37)*	*(33.0%)*	0.19	0.19	*(0.00)*	*(0.8%)*
Estonia	TWh	0.00	0.00	*(0.00)*	*(22.0%)*	0.00	0.00	*(0.00)*	*(16.1%)*
Poland	TWh	0.69	0.41	*0.27*	*65.8%*	0.22	0.10	*0.11*	*105.8%*
Total retail	TWh	6.65	7.71	*(1.06)*	*(13.7%)*	1.82	1.84	*(0.02)*	*(1.3%)*
of which B2C	TWh	2.19	2.57	*(0.38)*	*(14.7%)*	0.62	0.64	*(0.03)*	*(4.2%)*
of which B2B	TWh	4.46	5.15	*(0.68)*	*(13.3%)*	1.20	1.20	*0.00*	*0.3%*
Natural gas sales	TWh	9.29	12.80	*(3.51)*	*(27.4%)*	2.65	3.83	*(1.19)*	*(31.0%)*
Lithuania	TWh	4.58	5.32	*(0.74)*	*(13.9%)*	1.58	1.78	*(0.20)*	*(11.3%)*
Latvia	TWh	0.31	0.68	*(0.38)*	*(55.3%)*	0.08	0.21	*(0.14)*	*(64.2%)*
Estonia	TWh	0.01	0.02	*(0.01)*	*(53.0%)*	0.00	0.01	*(0.00)*	*(75.2%)*
Poland	TWh	0.34	0.16	*0.18*	*111.5%*	0.09	0.04	*0.05*	*122.2%*
Finland	TWh	1.34	3.76	*(2.42)*	*(64.4%)*	0.16	0.87	*(0.71)*	*(82.0%)*
Total retail	TWh	6.58	9.94	*(3.37)*	*(33.8%)*	1.91	2.91	*(1.00)*	*(34.5%)*
of which B2C	TWh	2.34	2.55	*(0.21)*	*(8.2%)*	0.89	0.91	*(0.02)*	*(1.9%)*
of which B2B	TWh	4.24	7.40	*(3.16)*	*(42.7%)*	1.02	2.01	*(0.99)*	*(49.2%)*
Wholesale market	TWh	2.71	2.86	*(0.14)*	*(5.0%)*	0.74	0.92	*(0.18)*	*(20.0%)*
Customer experience									
NPS (B2C – Transactional)	%	67.3%	56.5%	*10.8 pp*	*n/a*	68.2%	57.0%	*11.2 pp*	*n/a*
NPS (B2B – Transactional)	%	73.0%	53.0%	*20.0 pp*	*n/a*	65.0%	64.0%	*1.0 pp*	*n/a*

[1] *Previously reported value for EV Charging points as of 30 Sep 2023 – 312, was corrected.*

Governance report

4.1 Supervisory Board Chair's statement

Extensive expansion requires involvement of Supervisory Board

It is with great pleasure that I present, for the third consecutive year, an overview of our Supervisory Board's activities and priorities of the Group. As members of the Supervisory Board, we diligently monitor the progress of the Group's strategic goals, always considering the interests of all Group shareholders. Our active involvement and oversight as members of the Supervisory Board have been instrumental in guiding the Group towards its purpose to create a 100% green and secure energy ecosystem for current and future generations.

I am pleased to report that the Group has made significant steps towards achieving the strategic objectives set by the Supervisory Board. In the coming year, our focus will remain steadfast on upholding the highest standards of governance excellence.

Governance excellence and continuity

As members of the Supervisory Board, we consider it imperative that the Group continues to be a leader in energy, sustainability, and, in particular, in governance excellence. On the latter, the corporate governance excellence of the Group is reflected in numerous ratings and rankings, including ESG risk ratings. Nevertheless, we will continue to strive for the highest standards of corporate governance.

Separately worth noting, that at the end of last year, our colleague Bent Christensen informed us of his decision to resign from both the Supervisory Board and its Nomination and Remuneration Committee after three years. I want to thank Bent for his contribution to the work of the Supervisory Board. His experience in the field of renewable energy was invaluable in helping the Group to pursue ambitious strategic goals.

Nevertheless, during the transition period following Bent's resignation, the remaining members of the Supervisory Board will continue to function as usual, ensuring uninterrupted oversight and governance.

Continuing strategic performance oversight

In 2023, the Group made substantial steps towards its goal increasing its Green Generation capacity 4 times from 1.2 GW in 2022 to 4–5 GW by 2030. To date, the Group's renewables Portfolio has reached 7.1 GW and already exceeds the 2030 target. Notably, the Group secured a 700 MW offshore wind tender in Lithuania seabed sites (Liivi 1&2) for the expected capacity of 1–1.5 GW in the Estonian offshore wind tender. These achievements mark a significant milestone, fulfilling its strategic objective of securing offshore wind farm development projects in its home markets, and necessitate considerable involvement from the Supervisory Board to ensure that the interests of shareholders and stakeholders are prioritised, and the highest standards of corporate governance are maintained.

Alfonso Faubel
Chair of the Supervisory Board

Having said that, as members of the Supervisory Board, we hold a firm conviction that the role of the Supervisory Board's extends beyond merely setting strategic goals – it is about actively supporting and leveraging our expertise, sharing insights, and comprehending the challenges of the different business areas. For that purpose, two-day strategic sessions took place in April and September 2023, where the development of the energy sector, challenges, and opportunities as well as the updated strategy of the Group, its strategic plan and the key strategic topics were discussed.

We believe that it is essential to guide the Group towards targeted performance. Thus, the Supervisory Board is committed to ensuring continuity in our guidance, reinforcing the Group's resilience and long-term success in a rapidly evolving industry.

Focus on health and safety as well as other sustainability issues

In 2023, health and safety were a top priority for the Group. The Supervisory Board devoted significant attention to this matter, addressing it from different angles at nearly every meeting. We see the health and safety culture growing within the Group, and to be even more focused on this topic, the Risk Management and Sustainability Committee (previously the Risk Management and Business Ethics Supervision Committee) was enhanced by increasing the number of its members and attracting professionals with extensive experience in health and safety as well as risk management.

In addition, the Supervisory Board remains committed to the Group's ambitious decarbonisation goals and the target of net-zero emissions by 2040–2050. We encourage the Group to devise a specific, actionable transition plan.

It is also worthwhile to highlight that in the past year, the Supervisory Board and its committees have diligently worked to understand the impact that evolving sustainability regulations, such as the Corporate Sustainability Reporting Directive, will have on the Group. A significant part of our focus has been on ensuring that robust mechanisms for both the sustainability governance and its effective management are firmly in place.

Looking ahead

In 2023, we take pride in the significant progress achieved by both the Supervisory Board and the management of the Group. Looking ahead to the upcoming year, our commitment remains steadfast in serving the best interests of the Group's stakeholders, guided by the highest standards of governance. Key focus areas for 2024 will include supervising Environmental, Social and Governance (ESG) matters, with a particular emphasis on safety initiatives and the expansion of Green Generation. We are delighted to continue offering our insights and expertise, thus contributing to the ongoing success of the Group, a leading success story in the Baltic region.

Alfonso Faubel
Chair of the Supervisory Board

Ignitis Group Supervisory Board

4.2 Governance framework

Overview of the Group's corporate governance

The Group's governance structure and model have been developed on the basis of the most advanced international and national practices, by following the G20/OECD Principles of Corporate Governance, the OECD Guidelines on Corporate Governance of State-Owned Enterprises (SOEs) and the recommendations published by the OECD, having regard to the Corporate Governance Code for the companies listed on Nasdaq Vilnius. Additionally, the corporate governance model of a state-owned energy group was implemented in accordance with the Description of Corporate Governance Guidelines approved by the Ministry of Finance of the Republic of Lithuania.

The parent company acknowledges the importance of good corporate governance and follows the Corporate Governance Code for the companies listed on Nasdaq Vilnius to the extent possible. This code is based on the principle of "comply or explain". In accordance with Article 12(3) of the Law on Securities and Paragraph 25.4 of the Nasdaq Vilnius Listing Rules, the parent company must disclose annually how it complies with, or reasons for non-compliance with, the Nasdaq Vilnius Corporate Governance Code (including its specific provisions or recommendations). For a detailed description, please see section '7 Additional information' of this report.

Overall, the Group's governance principles and model aim at the assessment and harmonisation of stakeholders' interests and their translation into measurable targets and indicators.

Ignitis Group headquarters

Group's governance model

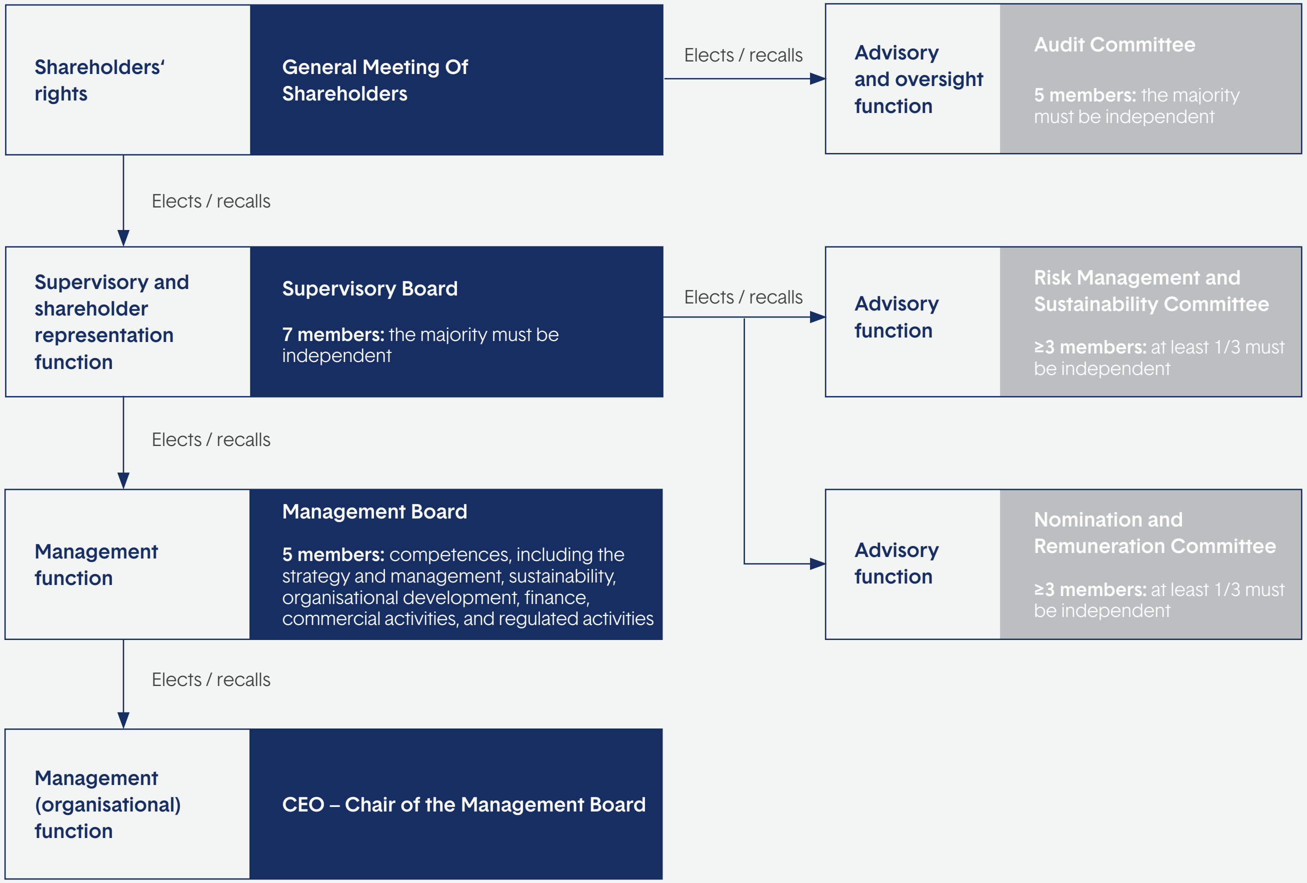
The parent company employs a corporate governance system designed to manage and control the Group as a whole and aimed at achieving common objectives. The corporate governance of the Group is exercised through the parent company's functions, i.e., by coordinating common areas such as finance, law, risk management, etc. within the Group. Activities in these areas are based on mutual agreement within the Group, i.e., through cooperation with a focus on achieving a common result, and are coordinated by policies (common provisions and norms) applicable to the whole Group.

The parent company has a Chief Executive Officer (CEO) and a two-tier board system consisting of a Management Board and a Supervisory Board. The CEO represents the parent company in all matters and, together with the Management Board, is responsible for its management, while the Supervisory Board is the body that oversees the Management Board and the CEO. The CEO manages the parent company's day-to-day operations and is entitled to solely represent the parent company.

The parent company's management and supervisory bodies are designed and are to be operated in such a way as to ensure the proper representation of the Republic of Lithuania as the Majority Shareholder, alongside other stakeholders, and the separation of the management and supervisory functions.

A more detailed description of each collegial body and its members is available in the sections below.

Corporate governance model



Key competences of the Group's bodies and committees

1. **The General Meeting** is the highest decision-making body of the parent company. Shareholders can use their votes during the General Meeting to vote on important matters related to the parent company.
   - **The Audit Committee** is responsible for monitoring the preparation process of financial statements of the Group, the effectiveness of the Group's internal control and risk management systems affecting the audited Group's financial statements as well as the effectiveness of internal audit. Also, the committee is responsible for supervising the audit of the annual financial statements of the Group companies which are public interest entities and the consolidated financial statements of the Group.
2. **The Supervisory Board** is a collegial supervisory body responsible for the effective oversight of the activities of the parent company's management bodies and approval of the Group's strategy. The Supervisory Board has established two committees that submit proposals and conclusions to the Supervisory Board in these key areas:
   - **The Risk Management and Sustainability Committee** oversees the functioning of the management and internal control system, key risk factors, the status of implementation of risk management measures within the Group, sustainability management, ethical business practices and corruption risks.
   - **The Nomination and Remuneration Committee** assesses candidates for the management and supervisory bodies of the Group, their structure, composition and performance, the continuity of the activities of the management and supervisory bodies and compliance with the Remuneration Policy of the Group.
3. **The Management Board** is a collegial management body responsible for the implementation of the key functions of corporate management.
4. **The CEO** represents the parent company in all matters and, together with the Management Board, is responsible for its management. The CEO manages the parent company's day-to-day operations and is entitled to solely represent the parent company.

Parent company's governance model

The parent company employs a corporate governance system designed to manage and control the Group as a whole and aimed at achieving common objectives. The corporate governance of the Group is exercised through the parent company's functions, i.e., by coordinating common areas such as finance, law, risk management, etc. within the Group. Activities in these areas are based on mutual agreement within the Group, i.e., through cooperation with a focus on achieving a common result, and are coordinated by policies (common provisions and norms) applicable to the whole Group.

The parent company has a CEO and a two-tier board system consisting of a Management Board and a Supervisory Board. The CEO represents the parent company in all matters and, together with the Management Board, is responsible for its management, while the Supervisory Board is the body that oversees the Management Board and the CEO. The CEO manages the parent company's day-to-day operations and is entitled to solely represent the parent company.

Corporate governance recognitions

The corporate governance excellence of the Group is reflected in numerous ratings and rankings. Additionally, ESG rankings are available in section '6.7 Additional information' of this report.

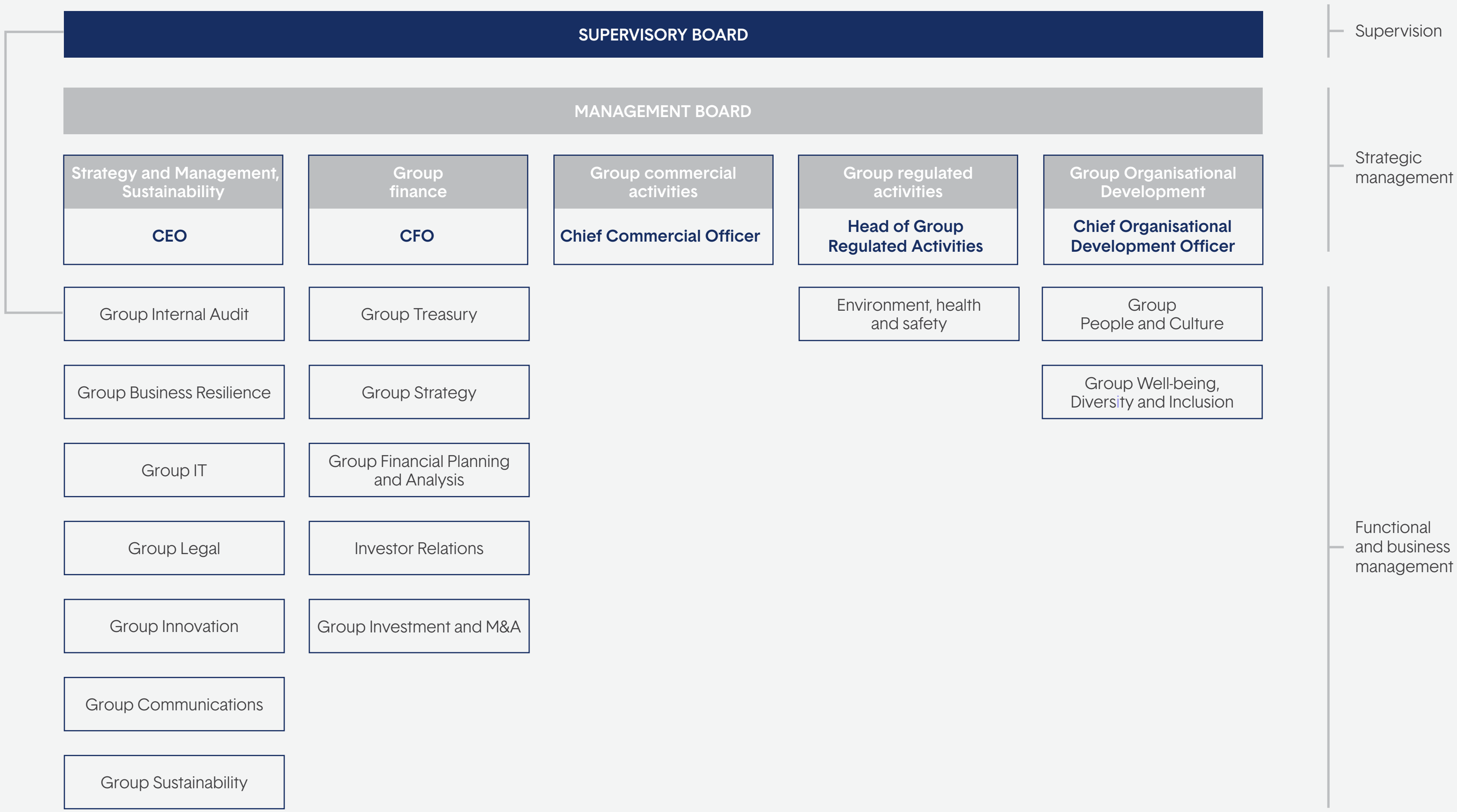
Governance ratings and rankings

A+	A+	A+	A+
Overall rating	Collegial bodies	Strategic planning and Implementation	Transparency

Corporate Governance Index of SOEs in 2022/2023

Highest possible rating since 2012 in the assessment of how SOEs have implemented good governance practices

The parent company's organisational structure (as of the report announcement date)



4.3 General Meetings

Shareholders' rights and General Meetings

Our shareholders exercise their rights at the General Meeting. The General Meeting is the highest decision-making body of the parent company and adopts resolutions in accordance with the Law on Companies of the Republic of Lithuania (link in Lithuanian).

Each shareholder who has been entered in the register of shareholders of the parent company before the record date (the fifth day before the General Meeting) has the right to attend the General Meeting and exercise his/her power of decision in the matters falling within the competence of the General Meeting. Notices about the convening of the General Meeting, including all relevant and necessary information, the annex of items on the agenda of the meeting and the decisions of the General Meeting are published on our website as well as through Nasdaq Vilnius and London Stock Exchange.

The parent company is not aware of any restrictions on shareholders' voting rights and agreements between shareholders.

Shareholders' competence

The competence of the parent company's shareholders covers the following key areas:

- electing and removing individual members of the Supervisory Board or the Supervisory Board of the parent company, making decisions on the payment of remuneration to independent members of the Supervisory Board of the parent company;
- amending the Articles of Association of the parent company;
- approving the sets of annual financial statements of the parent company and annual consolidated financial statements of the Group companies;
- making decisions on the allocation of profit (loss);
- making decisions on the allocation of dividends for a period shorter than the financial year;
- agreeing or not agreeing to the annual report of the parent company and the consolidated annual report of the Group companies;
- making decisions on increasing or reducing the authorised capital of the parent company;
- making decisions on the reorganisation or separation of the parent company and the approval of the terms and conditions thereof as well as on the restructuring, liquidation or cancelation of the liquidation of the parent company;
- agreeing or not agreeing to the decisions of the Management Board of the parent company regarding the parent company becoming a founder or participant of other legal entities;
- agreeing or not agreeing to the decisions (on the establishment of branches and representative offices of the parent company; the approval of nominations for members of the supervisory and/or management bodies of the companies of the parent company's group of the Group companies and the parent company's branches and representative offices; the approval of the Articles of Association of companies in which the parent company is a shareholder) of the Management Board of the parent company regarding the Group companies which are important to national security and engage in generation, distribution and supply activities in the energy sector as well as companies directly managed by the parent company which engage in energy generation activities.

General Meetings

During the reporting period, three General Meetings of the parent company's shareholders were held:

On 30 March 2023, the Annual General Meeting passed the following resolutions:

- agreed to AB "Ignitis grupė" consolidated annual report for the year 2022, except for the part of the remuneration report;
- agreed to the remuneration report of AB "Ignitis grupė", as part of the consolidated annual report of AB "Ignitis grupė" for the year 2022;
- approved the set of audited annual financial statements of AB "Ignitis grupė" and the set of consolidated financial statements of AB "Ignitis grupė" group of companies for the year 2022;
- allocated the profit (loss) of AB "Ignitis grupė" for the year 2022;
- agreed to the allocation of aid to Ukraine;
- selected the audit firm and determined the conditions of payment for audit services;
- approved the updated Remuneration Policy of AB "Ignitis grupė" group of companies;
- approved the new wording of the Articles of Association of AB "Ignitis grupė" and the power of attorney.

On 29 June 2023, the Extraordinary General Meeting passed the following resolutions:

- agreed to the reduction of the share capital of AB "Ignitis gamyba", a subsidiary of AB "Ignitis grupė";
- agreed to the decision of the Management Board of AB "Ignitis grupė" to approve AB "Ignitis grupė" becoming a participant of the legal entity WF World Fund I GmbH & Co. KG.

On 21 September 2023, the Extraordinary General Meeting passed the following resolutions:

- agreed to the consolidated interim report of AB "Ignitis grupė" for the six-month period ended 30 June 2023;
- approved the set of audited interim condensed financial statements of AB "Ignitis grupė" for the six-month period ended 30 June 2023;
- allocated dividends to the shareholders of AB "Ignitis grupė" for a period shorter than the financial year;
- agreed to increase the share capital of UAB "Ignitis", a subsidiary of AB "Ignitis grupė".

Further information, including the resolutions of previously held General Meetings of the parent company's shareholders, is available on our website.

Ignitis Group employees

Majority Shareholder

The Majority Shareholder of the parent company, the Republic of Lithuania, held 74.99% of the parent company's shares at the end of the reporting period. The rights and obligations of the Republic of Lithuania are exercised by the Ministry of Finance of the Republic of Lithuania (Majority Shareholder). The management of the shares will be carried out in accordance with the current version of the Law on Companies (link in Lithuanian), which establishes property and non-property rights and obligations of all shareholders, the Description of the Procedure of the Implementation of State Property and Non-Property Rights in State-Owned Enterprises approved by the Resolution No 665 of the Government of the Republic of Lithuania of 6 June 2012 (the Property Guidelines), and the latest version of the Articles of Association (see from page 21) of the parent company.

One of the corporate governance principles outlined in the Corporate Governance Guidelines is the exercise of the rights conferred by shareholders' shares, which is set to ensure that the Majority Shareholder exercises the voting rights attached to the shares within its competence and undertakes its best effort to ensure that the parent company and the Group companies are able to operate independently, i.e., the Majority Shareholder:

- shall not take actions that could prevent the parent company and the Group companies from conducting business independently;
- shall not influence the day-to-day running of the parent company's business or hold or acquire a material shareholding in one or more significant subsidiaries of the Group companies;
- shall not take any action (or refuse to take any action) which would be prejudicial to the parent company's status as a listed company or the parent company's eligibility for listing, or would reasonably prevent the parent company from complying with the obligations and requirements established by the law applicable to listed companies;
- shall conduct all transactions and ensure relationships with the companies of the Group companies on the market basis (following the arm's length principle) and on a normal commercial basis;
- shall not vote in favour of or propose any decision to amend the Articles of Association of the parent company which would be contrary to the principle of independence of the parent company's business;
- shall vote in a manner that ensures that the management of the parent company complies with the principles of good governance set out in the Corporate Governance Code.

For further information on the parent company's shareholders, see section '1.6 Investor information' of this report.

Expectations of Majority Shareholder

In accordance with the Property Guidelines (link in Lithuanian), the Majority Shareholder submits a Letter of Expectations to the parent company at least once every four years on the objectives pursued by the Majority Shareholder in the SOE and its expectations. With that in mind, the Letter of Expectations regarding the activities of the Group was approved by the order of the Minister of Finance on 11 May 2023.

In this letter, the Majority Shareholder indicates the following expectations in respect of the Group's strategic priorities:

- to prioritise focused, sustainable and profitable development of green generation capacities in order to significantly contribute to energy security and green transition in the region;
- to ensure the availability and the long-term operational capacity of the infrastructure that is important for national and energy security;
- to strive to increase electricity supply in the region by supplying final consumers with clean energy generated by its green generation assets;
- to ensure the resilience of the electricity distribution network to external factors, efficient distribution, network development, facilitation of the energy market and electrification in Lithuania;
- to ensure the reliability and flexibility of the Lithuanian energy system and its development while contributing to the implementation of changes in the energy sector in Lithuania and across the region;
- to ensure sustainable development of the Group activities.

4.4 Supervisory Board and committees

Overview

Supervisory Board

The Supervisory Board is a collegial supervisory body established in the Articles of Association of the parent company. The Supervisory Board is functioning at the Group level, i.e., where appropriate, it addresses the issues related not only to the activities of the parent company, but also to those of the Group companies or their respective management and supervisory bodies.

For the purposes of effective fulfilment of its functions and obligations, the Supervisory Board forms committees: the Risk Management and Sustainability Committee and the Nomination and Remuneration Committee. If necessary, other committees may be formed according to the *ad hoc* principle (e.g., to solve specific issues, to prepare, supervise or coordinate strategic projects).

The Supervisory Board is elected by the General Meeting for the period of four years. The Supervisory Board of the parent company comprises seven members: five independent members and two representatives of the Majority Shareholder. The Supervisory Board also elects its Chair from its members.

Key competence of the Supervisory Board covers the following:

- considering and approving the business strategy, annual budget and investment policy of the parent company and the Group;
- analysing and evaluating the implementation of the business strategy, providing this information to the General Meeting;
- electing and removing members of the Management Board;
- supervising activities of the Management Board and the CEO;
- providing comments to the General Meeting on a set of financial statements, allocation of profit or loss and annual reports;
- making decisions regarding the parent company's transactions planned to be entered into with a related party;
- approving the Policy on Related Party Transactions of the Group.

The Supervisory Board also addresses other matters within its competence as stated in the parent company's Articles of Association and the Law on Companies.

Information on selection criteria of the Supervisory Board members

The selection of the members of the Supervisory Board is initiated and conducted by the Majority Shareholder in accordance with the Description of Selection of Candidates for a Collegial Supervisory or Management Body of a State or Municipal Company, a State-Owned or Municipally-Owned Parent Company or its Subsidiary approved by the Resolution No 631 of the Government of the Republic of Lithuania of 17 June 2015 (link in Lithuanian). According to the above-mentioned description, the Supervisory Board was formed to ensure competence diversity. All its members must have at least one of the following competences: finance (financial management, financial analysis or audit), strategic planning and management, knowledge of the industry in which the parent company operates (i.e., the energy sector), other competences (i.e., law, management, human resources).

The decision on the election of Supervisory Board members is made by the General Meeting.

Information on remuneration of the Supervisory Board members during the reporting period

The remuneration of the members of the Supervisory Board is paid to them in accordance with the Articles of Association, the Group Remuneration Policy and the Description of the Procedure for the Payment of Remuneration to Members of Collegial Bodies of State-Owned Enterprises and Municipal-Owned Enterprises approved by the Resolution No 1092 of the Government of the Republic of Lithuania of 14 January 2015 (link in Lithuanian). The terms and conditions of the agreements with the members of the Supervisory Board, including the remuneration of members, are determined by the General Meeting.

Details of the remuneration paid to the members of the Supervisory Board during the reporting period are provided in section '5 Remuneration report' of this report.

Conflicts of interest

In accordance with the Articles of Association of the parent company, each candidate for the Supervisory Board must provide the General Meeting with a written consent to participate in the selection and the Declaration of Interests, stating therein all the circumstances which may give rise to a conflict of interest between the candidate and the parent company. If circumstances that could result in a conflict of interest between the member of the Supervisory Board and the parent company arise, the member of the Supervisory Board must immediately notify the Supervisory Board and shareholders in writing of such new circumstances. A member of the Supervisory Board must withdraw from preparation, consideration and/or making decisions on the issue, if the issue may cause a conflict of interest between the member of the Supervisory Board and the parent company and/or Group companies, including but not limited to, if making decisions on the issue may or may not create a conflict of interest. If a conflict of interest becomes apparent and a member of the Supervisory Board fails to withdraw, the Supervisory Board must consider the motives and/or circumstances that may cause a conflict of interest and make a decision on the removal of that member of the Supervisory Board.

Overview of the Supervisory Board and its committees (during the reporting period)

	Supervisory Board	Risk Management and Sustainability Committee	Nomination and Remuneration Committee
Term of office	26 October 2021 – 25 October 2025	22 April 2022 – 25 October 2025	3 November 2021 – 25 October 2025
Independence, including the Chair	71%	100%	67%
Meeting attendance	100%	100%	100%
Shareholdings of the parent company or its subsidiaries	None	None	None

Members of the Supervisory Board and its committees and their meeting attendance[1] (during the reporting period)

	Supervisory Board	Risk Management and Sustainability Committee	Nomination and Remuneration Committee
Alfonso Faubel Ⓘ	19/19 Ⓒ	10/10	-
Ana Riva Ⓘ	-	8[3]/10	-
Aušra Vičkačkienė Ⓜ	19/19	-	12/12
Bent Christensen[2] Ⓘ	19/19	-	12/12
Ingrida Muckutė Ⓜ	19/19	-	-
Judith Buss Ⓘ	19/19	-	-
Lorraine Wrafter Ⓘ	19/19	-	12/12 Ⓒ
Tim Brooks Ⓘ	19/19	10/10 Ⓒ	-
Wolf Willems Ⓘ	-	8[4]/10	-

[1] The numbers indicate how many meetings the members have attended out of total meetings during the reporting period.
[2] On 21 December 2023, the parent company received a Letter of Resignation from Bent Christensen, an independent member of the Supervisory Board and the Nomination and Remuneration Committee. Bent Christensen's term as a member of the Supervisory Board and the Nomination and Remuneration Committee ended on 4 January 2024.
[3] Ana Riva joined the Risk Management and Sustainability Committee on 1 April 2023 and has attended each meeting of the committee since joining.
[4] Wolf Willems joined the Risk Management and Sustainability Committee on 1 April 2023 and has attended each meeting of the committee since joining.

Ⓘ - *Independent member*
Ⓜ - *Majority Shareholder's representative*
Ⓒ - *Chair*

Supervisory Board and its committees

In order to perform its functions and duties effectively, the parent company's Supervisory Board forms committees. The committees submit their conclusions, opinions and suggestions to the parent company's Supervisory Board in accordance with their competence. A committee must have at least three members, where at least one member is a member of the Supervisory Board and at least 1/3 of the members are independent. Members of the committees are elected for a maximum term of four years. Where individual members are elected to a committee, they shall be elected only for a period until the end of the term of office of the existing committee.

The committees of the Supervisory Board:

- **the Risk Management and Sustainability Committee** is responsible for submitting comments and proposals to the Supervisory Board on the matters of risk management, sustainability management and business ethics assurance.
- **the Nomination and Remuneration Committee** is responsible for submitting comments and proposals to the Supervisory Board on the matters of election, removal or promotion of the CEO and the Management Board members of the parent company and the members of the supervisory and/or management bodies of the parent company's subsidiaries: ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation), Ignitis (Customers & Solutions) and Ignitis Renewables (Green Generation). The committee's functions also include the formation of a common remuneration policy for the Group companies, determining the size and composition of remuneration, incentive principles, etc.

If necessary, other committees may be formed according to the ad hoc principle (e.g., to solve specific issues, to prepare, supervise or coordinate strategic projects, etc.). At the end of the reporting period and as of the date of this report, only the committees of Risk Management and Sustainability and Nomination and Remuneration were operating in the parent company.

Overview of the Supervisory Board and its committees

Activities, composition of the Supervisory Board and its committees as well as information on members' education, experience, place of employment and shareholdings in the Group companies at the end of the reporting period are provided below in the report. Furthermore, details of remuneration paid to the members during the reporting period are provided in section '5 Remuneration report' of this report.

During the reporting period there were no changes in the composition of the Supervisory Board and the Nomination and Remuneration Committee and there was change in the composition of the Risk Management and Sustainability Committee – about which the information in detail is provided in the following sections. However, on 21 December 2023, the parent company received a Letter of Resignation from Bent Christensen, an independent member of the Supervisory Board and the Nomination and Remuneration Committee. Bent Christensen's term as a member of the Supervisory Board and the Nomination and Remuneration Committee ended on 4 January 2024.

Competence matrix

	Alfonso Faubel	Ana Riva[2]	Aušra Vičkačkienė	Bent Christensen[3]	Ingrida Muckutė	Judith Buss	Lorraine Wrafter	Tim Brooks	Wolf Willems[4]
Area of competence	**Renewable energy**	**Risk management**	**Public policy and governance**	**Strategy development and international development**	**Public policy and governance**	**Finance management**	**Organisational development**	**Sustainable development and risk management**	**Occupational health and safety and Sustainability/ESG**
Experience in:									
Top-level management	+	+	+	+	+	+	+	+	+
Non/Executive management bodies	+	+	+	+	+	+	+	+	+
International development/expansion	+			+		+	+	+	+
Energy sector	+	+	+	+	+	+	+	+	+
Renewable energy field	+	+	+	+	+	+	+	+	+
Listed company	+	+	+	+	+	+	+	+	+
Regulated business	+	+	+	+	+	+	+		
Competence[1] in:									
Corporate finance	+	+	+		+	+			
Audit		+			+	+			
Business strategy	+	+	+	+	+	+	+	+	+
Mergers & acquisitions	+		+	+		+	+		+
Risk management	+	+		+	+	+		+	
Innovation/Digitalisation	+	+		+				+	
Public policy and governance			+		+				+
Sustainability-related:	+	+	+	+	+	+	+	+	+
Environment (incl. climate change)	+			+		+		+	+
Organisational development / HR / Diversity, equity, and inclusion	+		+	+		+	+	+	
Health & Safety	+			+			+	+	+
ESG regulatory frameworks (incl. CSRD, EU Taxonomy)		+			+	+		+	+

[1] Competences are assigned according to the competences members have had during the hiring procedure and acquired while managing different strategic areas and targets and participating in various trainings.
[2] Ana Riva joined the Risk Management and Sustainability Committee on 1 April 2023.
[3] On 21 December 2023, the parent company received a Letter of Resignation from Bent Christensen, an independent member of the Supervisory Board and the Nomination and Remuneration Committee. Bent Christensen's term as a member of the Supervisory Board and the Nomination and Remuneration Committee ended on 4 January 2024.
[4] Wolf Willems joined the Risk Management and Sustainability Committee on 1 April 2023.

Supervisory Board

Information about the Supervisory Board

The Supervisory Board is a collegial supervisory body established in the Articles of Association of the parent company. The Supervisory Board comprises seven members, five of them are independent and two represent the Majority Shareholder. The Supervisory Board members were elected by the General Meeting on 26 October 2021, their term of office ends on 25 October 2025.

There were no changes in the composition of the Supervisory Board during the reporting period. However, on 21 December 2023, the parent company received a Letter of Resignation from Bent Christensen, an independent member of the Supervisory Board and the Nomination and Remuneration Committee. Bent Christensen's term as a member of the Supervisory Board and the Nomination and Remuneration Committee ended on 4 January 2024.

The selection of the Supervisory Board of the parent company is carried out in accordance with Resolution No 631 of the Government of the Republic of Lithuania "On the Approval of the Description of the Selection of Candidates for a Collegial Supervisory or Management Body of a State or Municipal Enterprise, a State-Owned or Municipal-Owned Company or its Subsidiary" (link in Lithuanian), which sets out the obligation to ensure fair and equitable treatment of candidates in the selection process.

The members of the Supervisory Board were selected on the basis of the general expectations and competences set out in the Competence Profile of the Supervisory Board.

Information on education, experience and place of employment of the Supervisory Board members is available below. Furthermore, details on remuneration paid during the reporting period are provided in section '5 Remuneration report' of this report.

No members of the Supervisory Board had any participation in the capital of the parent company or its subsidiaries. Additionally, no members of the Supervisory Board had 5% or more shareholdings in other companies that are the parent company's business partners, suppliers, clients, and other related companies.

Activities of the Supervisory Board

Overview

The Supervisory Board plans and operates its activities according to the annual action plan. On 16 December 2022 the Supervisory Board approved its 2023 action plan, which was implemented properly. After evaluating the implementation of the strategy, the Supervisory Board noted that a significant progress has been made, including the Green Generation Portfolio's increase to 7.1 GW (from 5.1 GW) since the beginning of 2023. The oversight of ESG issues, especially occupational health and safety, and Green Generation expansion remained the key topics discussed by the Supervisory Board throughout 2023. The Supervisory Board's objective for 2024 is to continue overseeing the Group's progress in reaching its ambitious goals.

The Supervisory Board's meetings are held at least once a quarter but planned on a monthly basis. Additionally, *ad hoc* meetings are held if necessary.

During the reporting period

Overall 19 meetings of the Supervisory Board were held in 2023, covering the following key areas:

- issues related to the annual report and annual financial statements for the year 2022;
- the submission of opinions to the Management Board on the nominations of the members of the management bodies of the main subsidiaries;
- the change in the composition of the Risk Management and Sustainability Committee of the Supervisory Board, the appointment of new members, the amendment of its regulations and the change in the name of the committee;
- the approval of the Group's planning documents and targets for 2024;
- sustainability issues, including health and safety;
- the approval of the strategy and the Strategic Plan 2023–2026 of the Group;
- strategic investment issues;
- issues related to the remuneration system of the Group, including the long-term incentive programme for executives;
- the approval of the long-term incentive plan targets of the Group for the 2023–2026 period, material terms and conditions of the Non-Compete Agreements for the members of the Management Board;
- the approval of the updated Policy on Related Party Transactions of the Group;
- issues related to the consolidated interim report of the parent company for the six months period ended 30 June 2023 and the set of audited interim condensed financial statements for the six months, and the allocation of dividends to shareholders.

In addition, intensive two-day strategic sessions took place in April and September 2023, where the latest situation in the energy sector, challenges and opportunities as well as the updated strategy of the Group, its strategic plans and the key strategic topics were discussed.

After the reporting period

Overall 3 meetings of the Supervisory Board were held from 1 January 2024 until 28 February 2024, covering the following key areas:

- the Integrated Annual Report, the audited annual financial statements, the profit (loss) allocation, the Sustainability report and the Remuneration report of AB "Ignitis grupė", including independent auditor's draft report and the Audit Committee's report;
- evaluating the achievement of the Group's annual targets for 2023 and making a decision on the payment of the variable part of remuneration to the Management Board members and the CEO of AB "Ignitis grupė";
- evaluating the achievement of the Group's long-term targets;
- the Supervisory Board committees' reports for 2023;
- the Group's strategic plan;
- the CSRD implementation.

Performance evaluation

In line with good governance practices and the Majority Shareholder's expectations, each year, on its own initiative, the Supervisory Board conducts a self-assessment and agrees on further actions to improve the functioning of the Supervisory Board. It is also notable that at least once every three years, the parent company contracts an independent external consultant to carry out evaluation of the Supervisory Board's performance. The first such evaluation was conducted in 2021. The next evaluation is planned in 2024.

Members of the Supervisory Board

Alfonso Faubel

Chair, member since 26/10/2021
Independent
Competence: renewable energy
Committees: Risk Management and Sustainability Committee
Term of office expires: 25/10/2025

Experience
Alfonso has held executive responsibilities in Siemens Gamesa, Alstom/GE (which are leading players in the global wind power & energy markets) and Delphi Automotive. As CEO he has led the turn-around and integration of Siemens Gamesa, secured key target projects for over EUR12 billion in new orders across Alstom/GE's power businesses, and earlier opened 16 new markets worldwide for their wind power business. Alfonso Faubel is an executive with a career that spans 34 years and five continents in automotive, digitization and energy industries and is valued for his skills in business turnaround, improving operational excellence, working with teams in different cultural environments on assignments worldwide.

Education
University of Cologne, Business Administration & Economics; Richmond American University London, Bachelor's degree in Business Administration; INSEAD, Executive Education.

Other current place of employment, position
None.

Owned shares of the parent company
None.

Aušra Vičkačkienė

Member since 30/08/2017
Re-elected on 26/10/2021
Majority shareholder's representative
Competence: public policy and governance
Committees: Nomination and Remuneration Committee
Term of office expires: 25/10/2025

Experience
Aušra has more than 20 years of experience in civil service. For the last 14 years she has been the Director of Asset Management Department of the Ministry of Finance, previously managed the Financial Services Division of the Ministry's Financial Markets Department, and was the Head of the Loan and Guarantee Supervision Division. In addition to this, Aušra has served on management boards of various state-owned companies: Būsto Paskolų Draudimas, Turto Bankas and Viešųjų Investicijų Plėtros Agentūra, where she was elected as the Chair of the Management Board.

Education
Vilnius University, Master's degree in Management and Business Administration; Vilnius University, Bachelor's degree in Management and Business Administration.

Other current place of employment, position
Ministry of Finance of the Republic of Lithuania, Director of Asset Management Department.

Owned shares of the parent company
None.

Bent Christensen

Member since 12/11/2020
Re-elected on 26/10/2021
Independent
Competence: strategic management and international development
Committees: Nomination and Remuneration Committee
Term of office expired: 04/01/2024[1]

Experience
Bent is a senior executive with more than 35 years of international experience in the energy sector. During his career he held various key positions in Siemens and Orsted and took part in developing these companies into global leading companies within the renewables sector. Bent has worked with almost all kinds of energy resources and was responsible for or involved in the development and construction of several onshore and offshore wind farms and thermal power plants.

Education
University of Southern Denmark, Bachelor's degree in Electrical Engineering; Horsens University College, Engineering Business Administration; IMD Business School, Executive development program; Siemens, Leadership Excellence.

Other current place of employment, position
Christensen Management Consulting Holding ApS, Chief Executive Officer and owner; Christensen Management Consulting ApS, Chief Executive Officer and owner; Chair of the Supervisory Board of Wind Estate A/S, Member of the Supervisory Board of Aker Carbon Capture ASA.

Owned shares of the parent company
None.

Ingrida Muckutė

Member since 26/10/2021
Majority Shareholder's representative
Competence: public policy and governance
Committees: Audit Committee
Term of office expires: 25/10/2025

Experience
Ingrida is a highly experienced accounting and reporting, financial audit regulation professional since 2004 working at the Ministry of Finance. She started her career in the Ministry of Finance as a Director of Accounting Methodology Department, where she initiated and led the public sector accounting reform. In 2013, during Lithuania's presidency in the European Council, she was chairing the Task Force on Company Law meetings on Audit Directive and Regulation. From then on, her responsibilities cover chairing the Committee of National Accounting Standards for private and public sectors. She also actively contributes to modernising the national systems of accounting, companies' insolvency and property and business valuation through proposals of legal initiatives.

Before her career in the Ministry of Finance, she worked as a financial controller at Konica Minolta Baltija and as a senior auditor in Arthur Andersen, and later in Ernst & Young Baltic.

Education
Vilnius University, Master's degree in Economics, Accounting, Finance and Banking; Uppsala University (Sweden), Financial Management Programme.

Other current place of employment, position
Director of the Reporting, Audit, Property Valuation and Insolvency Policy Department at the Ministry of Finance of the Republic of Lithuania.

Owned shares of the parent company
None.

[1] On 21 December 2023, the parent company received a Letter of Resignation from Bent Christensen, an independent member of the Supervisory Board and the Nomination and Remuneration Committee. Bent Christensen's term as a member of the Supervisory Board and the Nomination and Remuneration Committee ended on 4 January 2024.

Judith Buss

Member since 12/11/2020
Re-elected on 26/10/2021
Independent
Competence: financial management
Committees: Audit Committee
Term of office expires: 25/10/2025

Experience
Judith has held senior executive leadership positions in the E.ON Group (a leading European energy company in the DAX-40 Group) for more than 20 years, including as Chief Financial Officer of the global E.ON Climate & Renewables Group with a portfolio of assets >10bn€ in development, construction and operations of onshore and offshore wind and solar assets in Europe, North America and APAC. Judith has broad experience in the global energy industry and in financial markets/M&A, as well as in corporate governance and sustainability, serving as a member of several boards of directors in companies operating in Germany, Lithuania, Norway, the UK, Russia and Algeria.

Education
University of Augsburg, Master's degree in Business Administration (Banking, Finance and Controlling); Leadership Programs at IMD Business School, Lausanne, and Massachusetts Institute of Technology, Boston; University of Duesseldorf, Bachelor's degree in art history.

Other current place of employment, position
Member of the Supervisory Board of Uniper SE; Chair of Audit Committee of Uniper SE; Member of Supervisory Board of Hella GmbH & Co. KGaA, Lippstadt, Germany; Member of Shareholder's Committee of Hella GmbH & Co. KGaA, Lippstadt, Germany; Chair of Audit Committee of Hella GmbH & Co. KGaA, Lippstadt, Germany.

Owned shares of the parent company
None.

Lorraine Wrafter

Member since 26/10/2021
Independent
Competence: organisational development
Committees: Nomination and Remuneration Committee
Term of office expires: 25/10/2025

Experience
Lorraine is a global HR director with a specialisation in Organisation Effectiveness (change, culture, M&A, organisation design, reward and talent management), working with boards and executive teams to transform organisations and workforce performance to deliver business value in complex multinational organisations.
Lorraine has more than 30 years of experience in big multinational corporations: CARGILL Inc. and HOLCIM. Currently she has her own business 'The Problem' and works on varied projects such as organisation transformation, culture, team dynamics, and coaching. She is also a Board Advisor to a German start-up company HACK - CMP.

Education
Limerick University, Diploma in Business Studies; University West of London, Diploma in Human Resources and Fellow of the Chartered Institute of Personal Development; Leicester University, Master's degree in Human Resources Management and Development; INSEAD, Diploma in Clinical Organisational Psychology, Executive Masters, Consultancy and Coaching for Change.

Other current place of employment, position
Consultant and owner of 'The problem'.

Owned shares of the parent company
None.

Tim Brooks

Member since 26/10/2021
Independent
Competence: sustainable development and risk management
Committees: Risk Management and Sustainability Committee
Term of office expires: 25/10/2025

Experience
Tim is a senior executive with more than 20 years of experience in sustainable development both as a consultant, and in large corporate entities. Tim has been working at The LEGO Group for 10 years, most recently as a Vice President for Sustainability and regularly contributes to the company's risk and compliance boards. Tim has valuable experience in developing sustainability strategies and working with a broad range of stakeholders to implement industry leading sustainability programmes.

Tim has worked with KIRKBI, the LEGO Group parent company, to support and coordinate over 700 million USD of funding for renewable energy projects resulting in construction of two offshore wind parks, and delivery of over 70MW of building and ground mounted solar PV for LEGO buildings. He has also launched the 'Engage2Reduce' supply chain engagement programme and the 450 million USD LEGO Group Sustainable Materials programme. Currently, he serves as a Board Trustee of the Global Action Plan and a Board Member of the Honnold Foundation.

Education
University of Sheffield, Bachelor's degree in Environmental Geoscience; Imperial College, Master's degree in Environmental Technology (Energy Policy); Cambridge University, Institute of Sustainability Leadership.

Other current place of employment, position
Vice President, Corporate Responsibility at LEGO System A/S; Board Trustee, the Global Action Plan; Member of the Board, the Honnold Foundation.

Owned shares of the parent company
None.

71%
Independence, including the Chair

57%
Share of women in the Supervisory Board

Risk Management and Sustainability Committee

Overview

The Risk Management and Sustainability Committee is responsible for submitting comments and proposals to the Supervisory Board on the matters of risk management, sustainability management and business ethics assurance.

The key responsibilities of the Risk Management and Sustainability Committee are the following:

- monitoring and overseeing how the risks relevant to the achievement of the parent company's and the Group companies' objectives are identified, assessed and managed, providing recommendations;
- assessing the adequacy of internal control procedures, operational ethics and risk management measures for identified risks;
- assessing the status of implementation of risk management measures;
- monitoring the implementation of the risk management process;
- assessing the risks and the risk management plan of the parent company and the Group companies;
- assessing the periodic risk identification and assessment cycle;
- assessing whether risk registers are compiled, analysing their data, submitting proposals;
- monitoring the preparation of internal documents related to the risk management;
- monitoring the implementation of the business continuity management process;
- monitoring the sustainability policy and the strategic directions related to the ESG targets of the Group companies, providing an opinion and recommendations on these targets, with a particular focus on ensuring OHS and reducing the impact on the climate;
- assessing the adequacy of internal control procedures related to the implementation of the sustainability policy, strategic directions and ESG targets as well as risk management in these areas;
- assessing the status of implementation of the Sustainability Policy, the strategic directions and ESG targets, in particular, in the area of ensuring occupational health and safety and reducing the impact on the climate, reviewing and analysing the related information;
- assessing the sufficiency and adequacy of a company's internal documents governing the measures for preventing bribery and corruption as well as periodically monitoring their implementation/compliance;
- periodically monitoring the information related to operational ethics, management actions, events and unresolved incidents (ensuring transparency, prevention of bribery, corruption risk management/prevention, etc.);
- performing other functions assigned to the competence of the committee by the decision of the Supervisory Board;
- preparing and submitting a report on its activities to the Supervisory Board at least every 6 months.

Information about the Risk Management and Sustainability Committee

There were changes in the composition of the Risk Management and Sustainability Committee during the reporting period. In the process of expanding and strengthening the competences of the Risk Management and Sustainability Committee, its composition was expanded and two new independent members, Ana Riva and Wolf Willems, have been selected to join the committee. They are responsible for the oversight of risk management and occupational health and safety as well as sustainability. They joined the committee on 1 April 2023, and the end of their term of office is the same as the Supervisory Board's, which is 25 October 2025.

The Risk Management and Sustainability Committee comprises four members in total: two members of the Supervisory Board (Tim Brooks, the Chair of the committee, and Alfonso Faubel) and two external independent members (Ana Riva and Wolf Willems). In addition, the committee's name was changed to the Risk Management and Sustainability Committee (from the Risk Management and Business Ethics Supervision Committee).

Information on education, experience and place of employment of the Risk Management and Sustainability Committee's members is available below. Furthermore, the details of remuneration paid to the members during the reporting period are provided in section '5 Remuneration report' of this report.

No members of the Risk Management and Sustainability Committee had any participation in the capital of the parent company or its subsidiaries. Additionally, no members of the Risk Management and Sustainability Committee had 5% or more shareholdings in other companies that are the parent company's business partners, suppliers, clients, and other related companies.

Activities of the Risk Management and Sustainability Committee

The Risk Management and Sustainability Committee plans and operates its activities according to the annual activity plan. The committee's objective for 2024 is to continue overseeing the Group's progress in reaching its ambitious goals, and the ESG, especially OHS, issues, the preparation for the full implementation of CSRD and the climate mitigation issues will be the key topics to be discussed by the committee throughout 2024.

The Risk Management and Sustainability Committee's ordinary meetings are held at least once a quarter but planned on a monthly basis. Additionally, *ad hoc* meetings are held if necessary.

During the reporting period

Overall 10 meetings of the Risk Management and Sustainability Committee were held in 2023, covering the following key areas:

- occupational health and safety;
- periodical risk management reports of the Group;
- consolidated risk register and risk management plan of the Group;
- business continuity management system of the Group;
- internal controls' governance of the Group;
- sustainability governance of the Group;
- preparation to comply with the requirements of CSRD;
- anticorruption management system of the Group;
- cooperation with the Audit Committee;
- performance report of the committee.

After the reporting period

Overall 2 meetings of the Risk Management and Sustainability Committee were held from 1 January until 28 February 2024, covering the following key areas:

- status update on CSRD implementation;
- environmental, health and safety, issues, including quarterly report on the Group's occupational health and safety;
- enterprise risk management, including quarterly report on the Group's risk management;
- Group internal controls report;
- Sustainability report (Corporate social responsibility report);
- performance report of the committee.

100%

Independence, including the Chair

25%

Share of women in the Risk Management and Sustainability Committee

Members of the Risk Management and Sustainability Committee

Tim Brooks

Chair, member since 03/11/2021
Re-elected on 22/04/2022
Independent
Competence: sustainable development and risk management
Term of office expires: 25/10/2025

Experience
See page 103.

Alfonso Faubel

Member since 03/11/2021
Re-elected on 22/04/2022
Independent
Competence: renewable energy
Term of office expires: 25/10/2025

Experience
See page 102.

Ana Riva

Member since 01/04/2023
Independent
Competence: risk management
Term of office expires: 25/10/2025

Experience
Ana has more than 20 years of experience in international companies and consulting firms, including Nouryon, Grundfos and Big4. While working in these companies, she was developing and leading internal audit and risk management strategies as well as leading financial, performance and business risk audits. She also oversaw the transformation of internal audit and risk functions at the companies while focusing on strategic partnership, digitalisation and business continuity issues.

Education
IMD Business school, Leading Digital Business Transformation; University of Oxford, Said Business School, Finance Strategy; Baltic Management Institute (EMBA), joint program by HEC & CBS; Vilnius University, Applied Macroeconomics; Vilnius University, Audit and Financial Accounting.

Other current place of employment, position
Chief Audit Executive at a Swiss company, COFRA Group.

Owned shares of the parent company
None.

Wolf Willems

Member since 01/04/2023
Independent
Competence: occupational health and safety and sustainability/ESG
Term of office expires: 25/10/2025

Experience
Wolf has over 27 years of experience in the areas of sustainability, health and safety management, security and environmental affairs. During his career, Wolf has focused on improving organisational performance by aligning governance and strategies with business models, improving organisational culture, identifying and implementing the best practices and developing leadership. He assumed executive positions in such companies as Stora Enso Oyj, AT&T, Chassis Brakes International (now Hitachi Astemo) and LVX Consulting.

Education
Liverpool John Moores University, Security Management (in progress); Business School Nederland, Business Administration; HAS Green Academy, Environmental Engineering; National Committee on Sustainable Development & COS, Sustainable Development.

Other current place of employment, position
LVX Consulting, Head of Sustainability and HSSE.

Owned shares of the parent company
None.

[1] *The term of the Risk Management and Sustainability Committee ends on 25 October 2025, however according to the Articles of Association of the parent company, if a member of the Supervisory Board ceases to be a member of the Supervisory Board, he or she shall be deprived of the office in the committee, therefore, the term of office of individual Supervisory Board members on the committee is aligned with the term of the current Supervisory Board.*

Nomination and Remuneration Committee

Overview

The Nomination and Remuneration Committee is responsible for submitting conclusions or proposals to the Supervisory Board on the matters of appointment, removal or promotion of the Management Board members and members of the supervisory and management bodies of the parent company's subsidiaries as well as assessing the structure, size, composition and activities of the Management Board and supervisory and management boards of the parent company's subsidiaries and their respective members, also issuing the respective opinions. The functions of the committee also cover the establishment of a common remuneration policy for the Group companies, the composition and the amount of remuneration and the principles of promotion.

Key responsibilities of the Nomination and Remuneration Committee are the following:

- submitting proposals in relation to the long-term remuneration policy of the parent company and the Group companies (fixed base salary, performance-based incentives, pension insurance, other guarantees and forms of compensation, severance pay, other items in the compensation package), and the principles of compensation for expenses related to the person's activities;
- monitoring the compliance of remuneration and bonus policies of the parent company and the Group companies with the international practices, including good governance guidelines, and providing suggestions for their improvement;
- assessing the terms and conditions of the agreements between the parent company or the Group companies and the members of the management and/or supervisory bodies;
- assessing the procedures for recruiting and hiring candidates for the management bodies of the parent company and for the management and/or supervisory bodies of the parent company's subsidiaries: ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation), Ignitis (Customers & Solutions) and Ignitis Renewables (Green Generation), as well as establishing qualification requirements for them, also submitting comments and proposals thereof to the Supervisory Board;
- assessing the structure, size, composition and activities of management and/or supervisory bodies of the parent company and the Group companies;
- overseeing and assessing the implementation of measures ensuring the business continuity of the management and/or supervisory bodies of the parent company and the Group companies;
- performing other functions falling within the scope of competence of the committee as decided by the Supervisory Board.

Information about the Nomination and Remuneration Committee

The Nomination and Remuneration Committee members were elected by the Supervisory Board on 3 November 2021.

The Nomination and Remuneration Committee comprises three members, all of them are members of the Supervisory Board (two independent members and one representative of the Majority Shareholder). The Supervisory Board appointed Lorraine Wrafter as the Chair of the committee. The term of office of the Nomination and Remuneration Committee expires on 25 October 2025.

Information on education, experience, and place of employment of the Nomination and Remuneration Committee members is available below. Furthermore, details of remuneration paid to the members during the reporting period are provided in section '5 Remuneration report' of this report.

There were no changes in the composition of the Nomination and Remuneration Committee during the reporting period. However, on 21 December 2023, the parent company received a Letter of Resignation from Bent Christensen, an independent member of the Supervisory Board and the Nomination and Remuneration Committee. Bent Christensen's term as a member of the Supervisory Board and the Nomination and Remuneration Committee ended on 4 January 2024. Following the resignation of Bent Christensen, the committee will function as usual with the remaining members.

No members of the Nomination and Remuneration Committee had any participation in the capital of the parent company or its subsidiaries. Additionally, no members of the Nomination and Remuneration Committee had 5% or more shareholdings in other companies that are the parent company's business partners, suppliers, clients, and other related companies.

Activities of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee plans and operates its activities according to the annual activity plan. The committee's objective for 2024 is to continue overseeing the Group's progress in reaching its ambitious goals, and the long-term remuneration policy of the parent company and the Group companies as well as the planning of the strategic workforce within the Group to ensure the talent pipeline for the Group's strategic projects will be the key topics to be discussed by the committee throughout 2024.

The Nomination and Remuneration Committee ordinary meetings are held at least once a quarter but planned on a monthly basis. Additionally, *ad hoc* meetings are held if necessary.

During the reporting period

Overall 12 meetings of the Nomination and Remuneration Committee were held in 2023, covering the following key areas:

- issues related to the development of the remuneration policy, including long-term incentives of employees;
- issues related to determining long-term incentives for key executives;
- issues related to executive remuneration;
- evaluating the nominees for the Risk Management and Sustainability Committee and the management bodies of the parent company's subsidiaries, including the Boards of ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation), Ignitis (Customers & Solutions) and Ignitis Renewables (Green Generation);
- issues on succession planning of strategic positions in the parent company;
- assessing the independence of the independent members of the collegial bodies of the parent company and its subsidiaries;
- issues related to the optimisation of the corporate governance of the parent company's subsidiaries, including ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation) and Ignitis (Customers & Solutions);
- issues related to the implementation of the parent company's strategy and objectives in the area of people and culture;
- issues related to the selection of the CEO of Ignitis Gamyba (Reserve Capacities and Green Generation);
- committee's organisational issues.

In addition, the Nomination and Remuneration Committee carried out an assessment and stated that there are no known circumstances that would call into question the independence of the independent members of the Supervisory Board of the parent company and the independent members of the collegial bodies of its subsidiaries.

After the reporting period

Overall 3 meetings of the Nomination and Remuneration Committee were held from 1 January 2024 until 28 February 2024, covering the following key areas:

- the performance report for the year 2023 of the committee;
- reviewing the remuneration report (part of the performance report) of the parent company for 2023;
- issues related to the organisational development of the parent company and its subsidiaries;
- evaluating candidates for the management bodies of the parent company's subsidiaries (Ignitis Gamyba (Green Generation and Reserve Capacities);
- submitting an opinion on amendments to the Remuneration Policy;
- issues related to the development and implementation of the Remuneration Policy.

Members of the Nomination and Remuneration Committee

Lorraine Wrafter

Chair, member since 03/11/2021
Independent
Competence: organizational development
Term of office[1] expires: 25/10/2025

Experience
See page 103.

Aušra Vičkačkienė

Member since 03/11/2021
Majority Shareholder's representative
Competence: public policy and governance
Term of office[1] expires: 25/10/2025

Experience
See page 102.

Bent Christensen

Member since 03/11/2021
Independent
Competence: strategy development and international development
Term of office[1] expires: 25/10/2025[2]

Experience
See page 102.

67%
Independence

67%
Share of women in the Nomination and Remuneration Committee

[1] *The term of the Nomination and Remuneration Committee ends on 2 November 2025, however according to the Articles of Association of the parent company, if a member of the Supervisory Board ceases to be a member of the Supervisory Board, he or she shall be deprived of the office in the committee, therefore, the term of office of the individual Supervisory Board members on the committee is aligned with the term of the current Supervisory Board.*
[2] *On 21 December 2023, the parent company received a Letter of Resignation from Bent Christensen, an independent member of the Supervisory Board and the Nomination and Remuneration Committee. Bent Christensen's term as a member of the Supervisory Board and the Nomination and Remuneration Committee ended on 4 January 2024.*

4.5 Audit Committee's report

2023 highlights

Overview

The work plan of the Audit Committee in 2023 was updated to reflect the areas identified for additional focus. The new areas of focus included overseeing ESG reporting and the status of CSRD implementation.

Activities of the committee

During the reporting period

In implementing the functions laid down in the Regulations of the Audit Committee of the parent company, the Audit Committee held 17 meetings.

In addition, to improve cooperation the Audit Committee and the Risk Management and Sustainability Committee held a joint meeting to discuss topics of mutual interest, mainly CSRD implementation matters. All members of the committees attended this joint meeting.

Key areas covered in 2023

The committee carried out the following activities.

Financial reporting:
- monitored the preparation process of financial statements of the Group companies and discussed the financial statements;
- ensured that financial statements are prepared in the European Single Electronic Format (ESEF);
- discussed accounting policies;
- discussed taxation matters;
- discussed legal disputes in which the Group companies were involved.

External audit:
- ensured the independence of the financial statements auditor;
- reviewed the external audit strategy, scope and materiality as well as key audit matters;
- periodically assessed updates from the independent audit company on the external audit process;
- discussed the independent audit company's reports on the public interest companies of the Group including key audit matters;
- assessed the need of audit of the companies of Ignitis Renewables during the year 2023;
- discussed the National Audit Office's report on the Management of the Electricity Sector.

Internal audit:
- discussed the internal audit activity reports of the Group Internal Audit;
- discussed several internal audit reports;
- regularly followed the implementation of actions resulting from Internal Audit's reports;
- reviewed the implementation of Internal Audit's plan;
- discussed the developments in the Standards of Professional Practice for Internal Audit and the issues arising from the impact of the changes in the standards;
- reviewed the changes to the Internal Audit Charter and approved the updated Internal Audit Charter.

Governance and risk management including internal controls affecting financial statements:
- reviewed periodic reports on the Group's financial performance;
- reviewed the updated Policy on Related Party Transactions of the Group;
- discussed the financial reporting risks;
- discussed the process of preparation for reporting on sustainability.

The Audit Committee declares that in 2023 there were no factors restricting the activity of the Audit Committee and the Audit Committee received from the Group all the information necessary for the exercise of its functions.

After the reporting period

Overall, 3 meetings of the Audit Committee were held from 1 January 2024 until 28 February 2024, where committee members carried out the following activities:

- discussed the update on the Group's internal control governance and the Audit Committee's role therein;
- discussed legal disputes in which the Group companies were involved;
- reviewed the corruption and fraud risk management processes;
- reviewed and approved the Internal Audit Plan for 2024;
- discussed the annual report of implementation of actions resulting from the internal audit reports;
- submitted a semi-annual Audit Committee's report on its activities to the Supervisory Board of the Group for 2023/2024;
- reviewed periodic reports on the Group's financial results;
- the Audit Committee, together with the Risk Management and Sustainability Committee, discussed organisational readiness for CSRD implementation.

Plans for 2024

The Audit Committee in the future will continue to follow:

- the developments of reporting on sustainability and its assurance;
- the changes in Internal Audit Standards and their impact on the Audit Committee's activities;
- the implementation of recommendations resulting from internal and external audits.

Irena Petruškevičienė
Chair of the Audit Committee

Mažeikiai wind farm, Lithuania

Audit Committee overview

Overall, the Audit Committee is responsible for monitoring the process of preparation of financial statements of the Group, with a focus on the relevance and consistency of accounting methods used. In addition, it is responsible for monitoring the effectiveness of the Group companies' internal control and risk management systems affecting the audited Group's financial statements as well as the effectiveness of internal audit. Also, the committee is responsible for supervising the audit of the annual financial statements of the Group companies which are public interest entities and the consolidated financial statements of the Group. In addition, the Audit Committee began its activities foreseen in CSRD regarding the reporting on sustainability and its assurance.

Audit Committee and internal Audit function

The Group has a centralised internal audit function since 5 January 2015. This helps ensure independence and objectivity of the internal audit, consistency in application of uniform methodology and reporting principles, and a more rational allocation of available audit resources and competences. In ensuring the effectiveness of the Internal Audit function, the Audit Committee monitors and periodically evaluates the work of the Internal Audit function, discusses the results of its inspections, ways of elimination of the identified deficiencies and implementation of the internal audit plans.

Key responsibilities of the Audit Committee are the following:

Financial reporting

- monitoring the process of preparation of the parent company's and the Group companies' financial statements, paying particular attention to the assessment of suitability and consistency of applied accounting methods.

External audit

- monitoring the independence of the independent auditor and submitting recommendations regarding the selection of an audit company;
- making sure that the rotation requirements for independent audit companies and key audit partners are not violated.

Internal audit

- monitoring the effectiveness of the Internal Audit function, submitting recommendations to the Supervisory Board regarding selection, appointment and dismissal of the Head of Group Internal Audit, periodically coordinating and evaluating the work of the Group Internal Audit, discussing the verification results, the removal of identified deficiencies and the implementation of internal audit plans;
- approving the operational rules of the Group Internal Audit and the Internal Audit Plan.

Internal control and risk management

- monitoring the effectiveness of the Group companies' internal control and risk management systems affecting the audited company's financial statements;
- submitting opinions to the parent company regarding the transactions with related parties as provided in Paragraph 5 of Article 37^2 of the Law on Companies.

Governance

- assessing and analysing the issues assigned to the competence of the committee;
- performing the functions related to the committee's functions and provided in the legal acts of the Republic of Lithuania and the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius.

Information about the Audit Committee

The Audit Committee members Irena Petruškevičienė, Saulius Bakas and Marius Pulkauninkas were elected by the General Meeting of the parent company on 27 September 2021. Additionally, the Audit Committee members Judith Buss and Ingrida Muckutė were elected by the General Meeting of the parent company on 15 December 2021.

The Audit Committee comprises five members, with four of them independent, including the Chair, and one representative of the Majority Shareholder. Irena Petruškevičienė was elected as the Chair from amongst the committee members. The term of office of the Audit Committee expires on 26 September 2025.

Information on education, experience and place of employment of the Audit Committee members is available below. Furthermore, details of remuneration paid to the members during the reporting period are provided in section '5 Remuneration report' of this report.

There were no changes in the composition of the committee during the reporting period. No members of the Audit Committee had any participation in the capital of the parent company or its subsidiaries. Additionally, no members of the Audit Committee had 5% or more shareholdings in other companies that are the parent company's business partners, suppliers, clients, and other related companies.

Overview of the Audit Committee (during the reporting period)

Term of office	27 September 2021 – 26 September 2025
Independence, including the Chair	80%
Meeting attendance	96%
Shareholdings of the parent company or its subsidiaries	None

Members of the Audit Committee and their meeting attendance[1] (during the reporting period)

Member	Attendance
Irena Petruškevičienė Ⓘ Ⓒ	17/17
Ingrida Muckutė Ⓜ	15/17
Judith Buss Ⓘ	17/17
Saulius Bakas Ⓘ	17/17
Marius Pulkauninkas Ⓘ	16/17

Ⓘ - Independent member
Ⓜ - Majority Shareholder's representative
Ⓒ - Chair

Competence matrix

	Irena Petruškevičienė	Ingrida Muckutė	Judith Buss	Saulius Bakas	Marius Pulkauninkas
Experience in:					
Top-level management	+	+	+	+	+
Non/Executive management bodies	+	+	+	+	+
International companies and organisations	+	+	+	+	+
Energy sector	+	+	+		+
Listed company	+	+	+	+	+
Regulated business	+	+	+	+	+
Competence[2] in:					
Accounting or financial statements auditing	+	+	+	+	+
Accounting or financial statements auditing, internal auditing in energy sector	+	+	+	+	+
Audit of public-interest entities	+	+	+	+	+
Risk management	+	+	+	+	+

[1] The numbers indicate how many meetings the members have attended out of the total meetings during the reporting period.
[2] Competences are assigned according to the competences members have had during the hiring procedure and acquired while managing different strategic areas and targets as well as participating in various trainings.

Members of the Audit Committee

Irena Petruškevičienė

Chair, member since 13/10/2017
Re-elected on 27/09/2021
Independent
Term of office expires: 26/09/2025

Experience
Irena has over 30 years of experience in the field of auditing acquired in Lithuania and at international organisations. She worked for 10 years at an audit and consulting company PricewaterhouseCoopers, was a Head of Financial Strategy & Management Programme at ISM University of Management and Economics. Irena also worked for many years at international institutions, including the European Court of Auditors, the European Commission and the UN World Food Programme and European Stability Mechanism. She is a member of the Lithuanian Association of Certified Auditors and the Association of Chartered Certified Accountants (ACCA), and a member of the Association of Internal Auditors. She was elected as a member of the parent company's Audit Committee for the first time in November 2014.

Education
Vilnius University, Diploma in Economics.

Other current place of employment, position
Maxima Grupė, Chair of the Audit Committee. State Enterprise Centre of Registers, Member of the Audit Committee. UAB "Vilniaus viešasis transportas", Member of the Audit Committee.

Owned shares of the parent company
None.

Ingrida Muckutė

Member since 23/03/2018
Re-elected on 15/12/2021
Majority Shareholder's representative
Term of office[1] expires: 26/09/2025

Experience
See page 102.

Judith Buss

Member since 15/12/2021
Independent
Term of office[1] expires: 26/09/2025

Experience
See page 103.

[1] *The term of the Audit Committee ends on 26 September 2025, however, according to the Articles of Association of the parent company, if a member of the Supervisory Board ceases to be a member of the Supervisory Board, he or she shall be deprived of the office in the committee, therefore, the term of office of the individual Supervisory Board members on the committee is linked to the term of the current Supervisory Board.*

Marius Pulkauninkas

Member since 27/09/2021
Independent
Term of office expires: 26/09/2025

Experience
Marius is a highly experienced finance and audit professional with a career of 14 years working at an audit and assurance services company Ernst & Young, coupled with business experience as a CFO at KN Energies (former Klaipėdos Nafta), a company operating oil and liquefied natural gas terminals in Lithuania. His business expertise was further developed at Valstybinė miškų urėdija, where he held a position of General Manager.

Education
Vilnius University, Master's degree in Business Administration and Management; Baltic Institute of Corporate Governance, Professional Board Member Education Programme.

Other current place of employment, position
General Manager and shareholder at UAB "Kalnų grupė".

Owned shares of the parent company
None.

Saulius Bakas

Member since 27/09/2021
Independent
Term of office expires: 26/09/2025

Experience
Saulius is an experienced professional with over 25 years of experience in accounting & reporting, audit and assurance, internal controls and risk management. From the start of his career until 2020 he worked at international accounting and audit firms (Big4) and most recently from 2012 to 2020 was a partner with Deloitte Central Europe and in-charge of audit and assurance business in the Baltics region. Since 2021 he is a partner at Viridis sustainability, a boutique sustainable finance advisory firm. He is a member of the Lithuanian Association of Certified Auditors and a fellow member of the Association of Chartered Certified Accountants (ACCA).

Education
Vilnius University, Master's degree in Economics; Vilnius University, Bachelor's degree in Business Administration.

Other current place of employment, position
Co-founder and CEO at Viridis Sustainability.

Owned shares of the parent company
None.

80%
Independence, including the Chair

60%
Share of women in the Audit Committee

4.6 Management Board

Overview

The Management Board is a collegial management body set out in the Articles of Association of the parent company. The activities of the Management Board are regulated by the Law on Companies (link in Lithuanian), its implementing legislation, the Corporate Governance Guidelines, the Articles of Association of the parent company and the Rules of Procedure of the Management Board. During the reporting period, the rules governing the election of the members of the Management Board of the parent company were not amended. The Management Board comprises five members and elects the Chair, who is also the CEO of the parent company, from among its members.

Key responsibilities of the Management Board are the following:

- analysing and assessing the draft operational strategy of the parent company and the Group companies and the information about the implementation of the operational strategy of the parent company and the Group companies;
- approving the issues of setting and managing the operational guidelines and rules of the Group companies, common policies, annual financial plans, annual rate of return on assets and maximum amounts of debt obligations of the Group companies as well as other operational parameters of the Group companies;
- making decisions regarding the parent company becoming a founder or participant of other legal entities, the establishment of branches and representative offices of the parent company;
- making decisions regarding the approval of candidates for the supervisory and/or management bodies of the Group companies and the parent company's branches and representative offices while having regard to the opinion provided by the Supervisory Board;
- making decisions regarding the acquisition, investment, transfer, lease of non-current assets with a book value which exceeds EUR 3 million (calculated separately for each type of transaction), pledge or mortgage thereof (calculated for the total amount of transactions); the surety or guarantee for the fulfilment of obligations of other entities if the amount exceeds EUR 3 million; the conclusion of other transactions specified in the procedure for concluding transactions to be approved by the Management Board;
- making other decisions assigned to the Management Board by the Law on Companies (link in Lithuanian), the Articles of Association or the decisions of the General Meeting.

The members of the Management Board were selected on the basis of the general expectations and competences set out in the competence matrix of the Management Board, described on the following page. The members were selected based on the following areas of competence: strategy and management, sustainability, organisational development, finance, commercial activities, and regulated activities. Each member of the Management Board has to ensure the appropriate performance of the parent company's activities/ supervise the respective areas at the Group level in the field of their competence. Also, each of them is responsible for the analysis of the issues related to their competence, i.e., the field under his/her supervision directly related to the work at the Management Board on which the respective decision must be made, and for the presentation of all the relevant information to other members of the Management Board so that the necessary decisions of the Management Board can be made in a timely manner.

The members of the Management Board, acting within their competence, must ensure the proper performance of the parent company's activities and supervise their respective areas at the Group level. Specific areas of competence may be changed upon the proposal of the Chair of the Management Board with the approval of the Supervisory Board of the parent company.

Information on the selection criteria of the members

The members of the Management Board are employees of the parent company, they are elected by the Supervisory Board on the proposal of the Nomination and Remuneration Committee. Each member of the Management Board is elected for a term of four years. The Management Board of the parent company is formed in view of the provision that the competences of the members of the Management Board must be diverse. A member of the Supervisory Board or a person who is not legally entitled to hold this post cannot be a member of the Management Board and neither can a member of a supervisory body, management body or administrative body of a legal entity engaged in electricity or natural gas distribution activities, an auditor or an employee of an audit company who participates and/or participated in the audit of financial statements, if a period of more than 2 years has not elapsed. The members of the Management Board of the parent company must meet the general and specific criteria laid down by the law. The need for specific competences shall be determined by the Supervisory Board while forming the Management Board. The Equal Opportunities and Diversity Policy of the Group is applicable in the selection of the Management Board of the parent company.

Information on remuneration paid to the members during the reporting period

Remuneration for the activities of the Management Board, provided in section '5 Remuneration report' of this report and on our website, is paid in accordance with the Group Remuneration Policy. The policy's latest version was approved by the General Meeting on 30 March 2023.

Conflicts of interest

In accordance to the Articles of Association of the parent company, each candidate for the Management Board must provide the Supervisory Board with a written consent to stand as a candidate for the Management Board and their declaration of interests by stating therein all the circumstances which may give rise to a conflict of interest between the candidate and the parent company. In the event of new circumstances that could result in a conflict of interest between the member of the Management Board and the parent company, the member of the Management Board must immediately notify the Management Board and the Supervisory Board in writing of such new circumstances. Also, the members of the Management Board cannot do any other work or hold any other positions which are incompatible with their activities in the Management Board, including executive positions in other legal entities (except for positions within the parent company and the parent company's Group companies), work in civil service or statutory service. The members of the Management Board may hold other office or do other work, except for positions within the parent company and other legal entities of which the parent company is a member, and may carry out pedagogical, creative or authorship activities only with the prior consent of the Supervisory Board.

Mažeikiai wind farm, Lithuania

Information about the Management Board and its activities

Overview

There were no changes in the composition of the Management Board during the reporting period. The term of the Management Board ends on 17 February 2026.

Information on education, experience and place of employment of the Management Board members is available below. Furthermore, details on remuneration, including the achievement of annual targets, paid to the members during the reporting period are provided in section '5 Remuneration report' of this report.

All Management Board members hold shares of the Group companies (please refer to the information on the following page). The Group publishes relevant transactions through stock exchanges according to Article 19 of the Market abuse regulation (EU) No. 596/2014 and other relevant disclosure requirements. Additionally, no members of the Management Board had 5% or more shareholdings in other companies which are the parent company's business partners, suppliers or clients and other related companies.

Competence matrix

	Darius Maikštėnas	Jonas Rimavičius	Dr. Živilė Skibarkienė	Vidmantas Salietis	Mantas Mikalajūnas
Area of competence	**Strategy development and management**	**Finance management**	**Organisational development**	**Commercial activities**	**Regulated activities**
Experience in:					
Top-level management	+	+	+	+	+
Non/Executive management bodies	+	+	+	+	+
International development/expansion	+	+	+	+	+
Energy sector	+	+	+	+	+
Renewable energy field	+	+	+	+	+
Listed company	+	+	+	+	+
International companies and organisations	+	+	+	+	+
Regulated business	+	+	+	+	+
Commercial business	+	+	+	+	+
Competence[1] in:					
Corporate finance	+	+	+	+	
Investment portfolio policy	+	+	+	+	
Business strategy	+	+	+	+	+
Mergers & acquisitions	+	+	+	+	+
Risk Management	+	+	+		
IT/Innovation/Digitalisation	+		+	+	+
Public policy and governance	+		+	+	+
Sustainability-related:	+	+	+	+	+
Environment (incl. climate change)	+			+	
Organizational development / HR / Diversity, equity, and inclusion			+		
Health & Safety			+		+
Sustainable finance		+			
ESG reporting		+			

[1] Competences are assigned according to the competences members have had during the hiring procedure and acquired while managing different strategic areas and targets as well as participating in various trainings.

Activities of the Management Board

Management Board meetings take place on a weekly basis. Additionally, *ad hoc* meetings are held if necessary.

During the reporting period

Overall 78 meetings of the Management Board were held in 2023, covering the following key areas:

- approving the Group's annual report and submitting it to the Supervisory Board and the General Meeting;
- approving the interim report of the Group for the three-month period ended on 31 March 2023;
- approving the interim report of the Group for the six-month period ended on 30 June 2023 and the set of audited interim condensed financial statements for the six months, proposing to allocate dividends to shareholders and submitting the proposal to the General Meeting;
- approving the interim report of the Group for the nine-month period ended on 30 September 2023;
- agreeing to the updated Group Remuneration Policy and submitting it to the Supervisory Board;
- evaluating the Group's annual financial statements and draft allocation of profit (loss) and submitting comments to the Supervisory Board and the General Meeting;
- evaluating the most significant transactions planned by the Group, approving their conclusion and material terms and conditions of those transactions;
- making decisions on participation and voting in General Meetings of Shareholders of the companies in which the parent company is a shareholder;
- evaluating the organisation of the parent company's and the Group companies' activities and making decisions related thereto;
- evaluating and approving the Group's operational planning documents, taking into account the opinion of the parent company's Supervisory Board;
- making decisions on the approval of the Group's internal policies;
- approving the competence profile of the new Boards of the subsidiaries, nominations for Board members.

After the reporting period

Overall 7 meetings of the Management Board were held from 1 January 2024 until 28 February 2024, covering the following key areas:

- approved of the updated governance and organisational structure of Group;
- AB "Ignitis gamyba" established a subsidiary AB "Ignitis gamyba projektai".

Meeting attendance[1] and number of owned shares of the parent company (at the end of the reporting period)

Member	Position	Attendance	Number of shares
Darius Maikštėnas	Chair, CEO	78/78	3,000
Jonas Rimavičius	Member, CFO	78/78	500
Dr. Živilė Skibarkienė	Member, Chief Organisational Development Officer	78/78	300
Vidmantas Salietis	Member, Chief Commercial Officer	78/78	200
Mantas Mikalajūnas	Member, Head of Group Regulated Activities	78/78	220

[1] *The numbers indicate how many meetings in 2023 the members have attended out of total meetings during the reporting period.*

Members of the Management Board

Darius Maikštėnas

Chair, CEO since 01/02/2018
Re-elected on 18/02/2022
Competence: strategy and management, sustainability
Term of office expires: 17/02/2026

Experience
Darius is a top-level executive with 20+ years of executive experience in energy, telecommunications, IT, and venture capital sectors. He joined Ignitis Group in 2018 and since then he serves as CEO and Chair of the Management Board. Mr. Darius Maikštėnas successfully prepared Ignitis Group for transitioning from a local monopoly to a renewable-focused integrated utility and the largest energy group in the Baltic States, oversaw Ignitis Group's IPO, and has been leading the group towards ESG excellence. Prior to joining Ignitis Group, he had led an international company based in Silicon Valley offering innovative telecommunications solutions and operating in the United States and the UK.

Education
Harvard Business School, General Management Program; Baltic Management Institute, Executive MBA degree; Kaunas University of Technology, Bachelor's degree in Business Administration.

Other current place of employment, position
Eurelectric, Member of Board of Directors; Energijos skirstymo operatorius, Member of the Board.

Owned shares of the parent company[1]
3,000.

Jonas Rimavičius

Member since 18/02/2022
Competence: finance
Term of office expires: 17/02/2026

Experience
Jonas is an experienced finance professional. Since joining the Group in 2016, Jonas has been leading M&A activities and capital raising projects, including Ignitis Group's IPO, and Green Bonds issues. Additionally, Jonas has been serving as Chair and Member of the Management Board at Ignitis Renewables since January 2019. Prior to joining the Group, Jonas had accumulated experience in the areas of investment banking and corporate finance at Swedbank, EY and Telia.

Education
University of Cambridge, Master's degree in Business Administration; University of Warwick, Bachelor's degree in Accounting and Finance; former CFA charterholder.

Other current place of employment, position
Ignitis Renewables, Chair and Member of the Board; Ignitis renewables offshore development, Member of the Board; Ignitis renewables projektai 5, Member of the Board; Ignitis renewables projektai 6, Chair and Member of the Board; Vilniaus Kogeneracinė Jėgainė, Member of the Board.

Owned shares of the parent company[1]
500.

Dr. Živilė Skibarkienė

Member since 01/02/2018
Re-elected on 18/02/2022
Competence: organisational development
Term of office expires: 17/02/2026

Experience
Živilė is a professional in law and organisational development with over 10 years of executive experience. She joined the Group in 2018 and has since transformed how the Group is governed, resulting in the Group being constantly awarded the highest governance rating by the State Governance Centre. She also led the conversion of the organisation into an attractive employer, whose compliance with the best human resources policies and practices has been certified by the Top Employer's Institute (the Netherlands). This achievement was supported by growing employee net promoter score from 9 to 65 over several years.

Živilė also serves as a Member of the Board at ESO and chairs the Board of Ignitis Grupės Paslaugų Centras. Prior to that, Živilė gained executive experience while working in the financial sector. She was Head of Legal and Administrative Division at Šiaulių Bankas, Member of the Management Board and Deputy CEO at Finasta Bank, as well as Head of Compliance at DNB Bankas (now Luminor), and Head of Legal Department at SEB Bankas. Živilė holds a board member's education certificate issued by the Baltic Institute of Corporate Governance.

Education
Harvard Business School, Business Leadership Program; Saïd Business School, University of Oxford, Executive Leadership Program; Mykolas Romeris University, Doctor in Philosophy (PhD in Law); Vilnius University, Master's degree in Law.

Other current place of employment, position
Ignitis Grupės Paslaugų Centras, Chair and Member of the Board; Energijos skirstymo operatorius, Member of the Board.

Owned shares of the parent company[1]
300.

[1] The number indicates shares owned at the end of the reporting period.

Vidmantas Salietis

Member since 01/02/2018
Re-elected on 18/02/2022
Competence: commercial
Term of office expires: 17/02/2026

Experience
Vidmantas, who is a professional with 10+ years of experience in top-level positions in the energy sector, joined the Group in 2011 and since has served as an executive in various Group companies. During this time, he spearheaded one of the major changes in the electricity sector – market deregulation. In addition to becoming a Member of the Management Board of Group in 2018, Vidmantas was also serving as a Chair of the Supervisory Board at Ignitis, a Chair of the Supervisory Board of Ignitis Gamyba as well as a Member of the Management Board of Ignitis Renewables. Prior to that, he had served as CEO at Energijos Tiekimas, and had led an electricity wholesale trading department at Ignitis Gamyba. He had also served as Chair and Member of the Management Board of Elektroninių Mokėjimų Agentūra and Member of the Management Board of Gamybos Optimizavimas.

Education
Stockholm School of Economics in Riga (SSE Riga), Bachelor's degree in Economics and Business.

Other current place of employment, position
Ignitis, Chair and Member of the Board; Ignitis Gamyba, Chair and Member of the Board; Ignitis Renewables, Member of the Board.

Owned shares of the parent company[1]
200.

Mantas Mikalajūnas

Member since 18/02/2022
Competence: regulated activities
Term of office expires: 17/02/2026

Experience
Mantas, who has almost 20 years of executive experience in various energy sector's companies, launched his career in Lietuvos Dujos. Later, he had an internship in a German energy group. After returning to Lithuania, he was working in strategic positions at Lietuvos Dujos, where he served as an executive team member and was responsible for issues related to investor relations, state authorities and the regulator as well as integration of Lietuvos Dujos into Lietuvos Energija (current Ignitis Group). Before transitioning to the current position of Head of Group Regulated Activities, Mantas had served as Head of Business Development at Ignitis Group and CEO at Lietuvos Dujų Tiekimas (later, Lietuvos Energijos Tiekimas).

Education
Vilnius University, Master's degree in Business Administration and Management.

Other current place of employment, position
Ignitis, Member of the Board; Vilniaus Kogeneracinė Jėgainė, Chair and Member of the Board; Kauno kogeneracinė jėgainė, Member of the Board; Ignitis Gamyba, Member of the Board.

Owned shares of the parent company[1]
220.

[1] *The number indicates shares owned at the end of the reporting period.*

CEO overview

At the executive employee level, the parent company is managed by the CEO and the Management Board. CEO is a single-person management body of the parent company, who organises, directs, acts on behalf of the parent company and concludes transactions unilaterally as provided by the Law on Companies (link in Lithuanian), its implemented legislation and the Articles of Association of the parent company. CEO is entitled to solely represent the parent company and execute documents on the parent company's behalf.

The competence of the CEO, the procedure of appointment and removal and the terms of office are established according to the Law on Companies (link in Lithuanian), its implemented legislation, the Corporate Governance Guidelines and the Articles of Association of the parent company. In accordance with the Corporate Governance Guidelines, the Chair of the Management Board is elected by the Management Board and appointed as CEO of the parent company. It should be noted that the CEO of the parent company, as a SOE, is also subject to special selection features set out in the Law on Companies (link in Lithuanian), according to which the term of a CEO is limited to five years. It stipulates that the same person can only be appointed for two consecutive five-year terms. The Equal Opportunities and Diversity Policy of the Group is applicable in the selection of the parent company's CEO.

The term of the CEO and the Management Board ends on 17 February 2026.

The main functions and responsibilities of the CEO are:

- ensuring the implementation of the Group's strategy and the implementation of decisions of the Management Board;
- employing and dismissing employees, promoting and imposing disciplinary measures;
- ensuring the security of the parent company's assets, appropriate working conditions, security of the parent company's commercial secrets and confidential information;
- submitting proposals to the Management Board regarding the annual budgets of the parent company and the Group companies, being responsible for the preparation of the sets of annual financial statements of the parent company and the annual consolidated financial statements of the Group companies as well as the preparation of the annual reports of the parent company and the consolidated annual reports of the Group companies;
- preparing a decision on the allocation of dividends for a period shorter than the financial year and preparing a set of interim financial statements and an interim report necessary to make a decision on the allocation of dividends for a period shorter than a financial year;
- carrying out other duties set out in the Law on Companies, other laws and legal acts, the Articles of Association and in the job description of the CEO as well as resolving other issues which are not attributed to the competence of other bodies of the parent company under the laws or the Articles of Association.

At the end of the reporting period, the parent company's CEO, Darius Maikštėnas, held 3,000 shares of the parent company.

Information on education, experience and place of employment of the CEO is available in the previous section, and the details of remuneration during the reporting period as well as key contractual terms of his employment contract with the parent company are provided in section '5 Remuneration report' of this report.

4.7 Risk management

Risk management framework

Overview

In connection with the business activities, the Group is exposed to both internal and external risks that might affect our performance. To ensure their mitigation to an acceptable level, we apply uniform risk management principles, which are based on the best market practices, including the guidance of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and AS/NZS ISO 31000:2018. A clear segregation of risk management and control duties is controlled by applying the 'Three-lines enterprise risk management framework' in the Group (see figure on the right), where the duties are distributed between management and supervisory bodies, structural units, and functions.

In order to ensure that risk management information and decisions are relevant and reflect all the changes relevant to the Group, the Group applies a uniform risk management process, which includes all the Group companies and functions. To ensure effective risk management control, we monitor risks, risk management measures, key risk indicators and prepare internal reports to the management (both at the Group or a Group company level and at the function level) on a quarterly basis.

In this section we provide in depth information on the Group's risks management governance model, the main parts of the risk management process, the review of key risks of 2023 and the key risk management plan for 2024.

Three-lines risk management framework

Group Supervisory Board | Risk Management and Sustainability Committee

Group Management Board

Group companies' Boards

CEOs, executive committees, heads of functions

Risk management lines	1. Risk owners	2. Risk management partners	3. Internal audit
Responsibilities	**Identifying and managing risks** – Identifying, managing and periodically assessing the arising risks. – Identifying changes in the risks in a timely manner.	**Ensuring the effectiveness of risk management, control and monitoring** – Ensuring the compliance of the Risk Management Model with international standards and good practices. – Providing methodological support to risk owners in identifying, assessing and managing risks. – Ensuring risk management control. – Carrying out periodic risk management monitoring reports.	**Risk management model effectiveness assessment and improvement** – Assessing the effectiveness of the risk management model and compliance with international standards. – Providing recommendations on the improvement of the Risk Management Model.

Risk management objectives:

- ensuring that all the decisions made to achieve the goals are in line with the values of the Group;
- eliminating or reducing the impact of the risks on the Group's goals for different periods as much as possible;
- ensuring the stability (including financial) and sustainability of the Group's activities;
- ensuring that correct information is provided to relevant parties in a timely manner;
- protecting and ensuring the Group's reputation and reliability;
- protecting the interests of stakeholders.

Risk management process and key principles

In order to achieve strategic goals and respond to a dynamic operating environment, the Group pays special attention to proactive risk management. Therefore, on a quarterly basis, the Group reviews risk levels, plans new risk management measures when needed, refines key risk indicators, identifies new sources of risk or new risks. The ability to proactively react to changing risks is extremely important and ensures that our management receives the most relevant information to make the necessary decisions in a timely manner. Also, ESG risks and opportunities are addressed as an integral part of the Group's daily business and are fully integrated into the applied risk management process.

Our risk management process comprises four parts: identifying risks, assessing risks, determining the risk response strategy and monitoring risks.

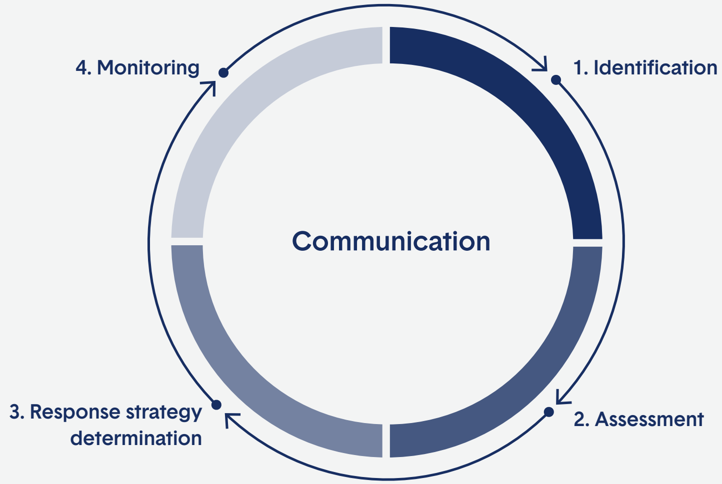
1. Identifying risks. The Group constantly assesses the potential impact of different sources of risks such as climate change, regulatory changes, geopolitical and economic situation, commodity/service/labour market trends, cultural and social issues that affect the achievement of the Group's goals. All Group employees are responsible for identifying risks on time.

Risks are recognised and can materialise:
- at the Group company level – risks arising in the main activities;
- at the function level – risks arising in internal services;
- at the Group level – risks arising in more than one Group company or function.

In addition, based on the potential impact of risks on the Group's goals, all risks are assessed based on the periods of when they could potentially materialise and are categorized as follows:
- short-term (0–1 years), which can influence the annual goals of the Group;
- medium-term (2–4 years), which relate to the implementation of strategic goals defined in the Group's 4-year strategic plans;
- long-term (≥5 years), which can affect the implementation of the Group's strategy.

2. Assessing risks. During the assessment stage, we determine risk's level (from 'low' to 'very high' based on the probability of its occurrence and the potential impact), assign risk to specific category, ESG type and strategic direction (depending on the risk's impact) and establish key risk indicators.

Risk management process



The Group also assess all the risks that meet the ESG risk criteria. We assign an ESG type to the risk based on these criteria, for example, 'E' type is assigned to climate related physical, transitional, and other environmental risks, 'S' to social and 'G' to governance related risks. The Group pays special attention to the potential impact of climate-change-related economic and transitional changes on the Group's activities. This impact may arise from severe (extreme) weather phenomena and from the aspiration of the states to pursue the Green Deal, which could cause additional requirements for energy sector, e.g., complying with new regulations, implementing new technological solutions, managing

We categorize the risks the Group faces while running its businesses into four different categories described below.

Strategic risks	Financial[1] risks	Operational risks	External risks
Risks that may impact the strategic objectives of the Group. They can materialise due to unfavourable external factors (e.g., political, legislative changes), erroneous business decisions or inadequate implementation of decisions.	Risks from financial assets and/or obligations of the Group. This category includes the risks such as the credit risk, liquidity risk, insufficient capital risk, interest rate risk, currency exchange risk, risk related to fluctuation of shares and market prices, etc.	Risks that materialise due to inadequate or poorly organised internal processes, failed or ineffective internal control procedures, employee errors and/or improper/insufficient management of IT operations, etc.	Risks that materialise due to changes in market conditions, regulatory, and legislation changes, natural resources, natural disasters, etc.

[1] *Financial risks of the Group (market, currency, interest rate, credit, liquidity) which do not exceed the Group's risk appetite and KRI tolerance thresholds, in accordance with the IFRS requirements, are disclosed in section 'Financial statements' of this report.*

reputational risks, responding to fast growing market demand for green solutions, etc. Climate change can be a negative factor in assessing the likelihood of materialisation of various risks and/or assessing the potential impact of risks on finance/reputation/compliance/people's health and safety.

3. Determining the response strategy. At this stage we decide on the risk management strategy (to accept, mitigate, avoid or transfer the risk). The Group only accepts risks that are consistent with the Group's core purpose, strategy and values. The risks exceeding the Group's risk appetite – all 'high' and 'very high' level risks and risks with significant financial impact on the Group (>2% of the Group's Adjusted EBITDA) – must be managed. We then create a risk management plan to implement the risk mitigation strategy. The plan's implementation is controlled in the monitoring stage.

4. Monitoring risks. During each quarterly monitoring of risks, the management and the collegial bodies are presented with risk management measures, key risk indicators, risk signals. This stage also includes the reassessment of the level of risks, registry of new risks and elimination of the risks that are no longer relevant.

Key risks

Risk management in 2023

Overview

The Group's risk management context in 2023 was mostly influenced by the changing energy price environment and the Group's participation in the Lithuanian offshore wind farm tender. In addition, there were three risk management focus areas of strategic importance. The first area is related to the occupational health and safety (OHS) of the Group's and contractors' employees. The Group has put a lot of effort into this area and achieved all key targets set for OHS for 2023. The second area is the management of climate-related risks, which is significant to the Group as it aligns with its core purpose of creating a 100% green and secure ecosystem for current and future generations. The Group initiated a climate change scenarios analysis (CSA) in 2023 to assess and mitigate climate-related risks more efficiently within the Group companies. Finally, the third area is related to the ongoing Russia's invasion of Ukraine. The Group is continuing to regularly assess the impact of the war on the Group's activities. More information on these risks management areas is provided below.

In Q1 2023, 'Financial liquidity risk' was removed from the Group's list of key risks as a result of a decrease in energy prices globally, which led to lower working capital needs. Stronger liquidity position was also supported by concluding additional financing agreements. The 'Risk of not winning the Lithuanian offshore tender' was resolved as the Group, together with its strategic partner for the development of offshore wind farm projects, Ocean Winds, became the winners of the 700 MW Lithuanian offshore wind tender, as announced on 12 October 2023. Nevertheless, the development of offshore projects is complex and of significant importance to the Group's strategic objectives. Recognising this, it is important to emphasise the risk management in the early stages of the project's development. This proactive approach will enable the Group to identify and address potential risks and develop mitigation strategies to ensure the successful achievement of the project's milestones. In line with this objective, in Q4 2023 a new risk 'Risk of not achieving Lithuanian offshore WF project goals' (No 3) was added to the Group's list of key risks.

Additionally, during the annual planning process, after reassessing all the relevant risks in the context of the Group activities and considering the strategic directions, strategic and annual plans of Group companies, we compiled a consolidated key risk register of the Group. Compared to our 9M 2023 Interim report, no changes were identified in Q4 2023.

Occupational health & safety (OHS)

During 2023 no fatal accidents were recorded by the Group or its contractors (in 2022 were three fatal accidents recorded). The number of lost-time injuries of Group's employees significantly decreased as well (from 11 in 2022 to 6 in 2023). From the risk management perspective, the Group-wide OHS programme "Is it safe?" has accelerated in 2023 with many OHS initiatives taking place across all Group companies, including various OHS trainings, competitions, management safety walks, visual preventive measures, the Recognition Programme's expansion, rewarding employees who report unsafe working conditions, and many other initiatives dedicated to the Group's and/or contractors' employees. More information about the Group's initiatives in 2023 and OHS-related plans is available in section '6 Sustainability report (Corporate social responsibility report)' of this report.

Climate-related risks

In 2023, the Group, in collaboration with a leading climate consultancy, conducted a climate change scenario analysis (CSA). The stages of this assessment included the preparation of an extensive list of all possible climate-related (both physical and transitional) risks, that could have impact on the Group. According to this assessment, levels of some of the existing risks were revaluated, some risks were supplemented with new risk sources or new climate-related risks were identified. Results of the CSA are expected be integrated during 2024.

Russia's invasion of Ukraine

Overview

The Group has assessed actual and potential direct and indirect impact of Russia's invasion of Ukraine on its business activities, the Group's exposure to the affected markets, supply chains, its financial situation and economic performance by using all the information available at the time and did not identify any material threats to the Group's business continuity. However, it should be noted that, due to the ongoing uncertainty, the final impact of Russia's invasion of Ukraine on the business of the Group companies cannot be fully assessed.

General potential effects that are tightly related to the Group's activities are an increase in electricity and natural gas prices, an increase in net working capital, possible disruptions in supply chains, rising inflation and prices of materials. To manage these effects, proper actions have been taken, including, but not limited to, conclusion of additional short-term loan agreements with banks. Additionally, at the end of 2022 the Lithuanian Parliament (Seimas) has compensated the regulatory differences accrued during 2022. In the first half of 2023, the compensation mechanism remained in effect, but due to the decrease in prices, the use of compensations was lower than anticipated, and the resulting surplus has been returned to the state's budget in August 2023. Compensation mechanism for the second half-year has been terminated for the electricity supply but remained in effect regarding natural gas supply for household consumers until the end of 2023 and has been terminated since the beginning of 2024. Considering the increased number of cyber attacks, the level of cybersecurity vigilance is being raised nationwide. Despite the increased number of attacks, all the threats were handled successfully, therefore the cybersecurity risk level remains unchanged. It must be noted that the Group is classified as an owner of critical infrastructure.

Cyber security

Due to the complicated geopolitical situation, the number of external attacks, scans and distributed of service (DDoS) attacks targeting the IT infrastructure of the Group remains high. To enhance resilience to cyber threats, our monitoring and CERT teams ensure 24/7 monitoring of both external and internal resources by proactively detecting, preventing, and mitigating malicious actions. Employee resistance to cyber threats has been strengthened through simulations of malicious emails and the implementation of the updated digital security training for the Group employees.

During the reporting period, the average rate of employees compromised by the simulated phishing emails was 5%. We have continued the development of digital security solutions to effectively protect the Group's IT infrastructure, leading to a threefold increase in the number of cyber security events analyzed compared to 2022. Approximately 35% of all security events are analyzed and closed automatically.

Overview of the impact of the Russia's invasion of Ukraine

Business segment	Overall impact
Green Generation	– Accelerated development of renewable energy production capacities due to security of power supply and energy transition. – Potentially longer lead times of Green Generation projects due to potential disruptions in the manufacturing and supply chains for renewable energy technologies. – Insufficient transmission network's capacity due to increased development of green energy generation capacities.
Networks	– Uncertainty regarding the supply chain and an increase in the price of key materials.
Reserve Capacities	– Additional natural gas reserve of 1.1 TWh was acquired, which increased the net working capital.
Customers & Solutions	– Increased natural gas and electricity prices had an impact on the net working capital growth. However, as the prices have stabilized the net working capital almost returned to pre-war level.

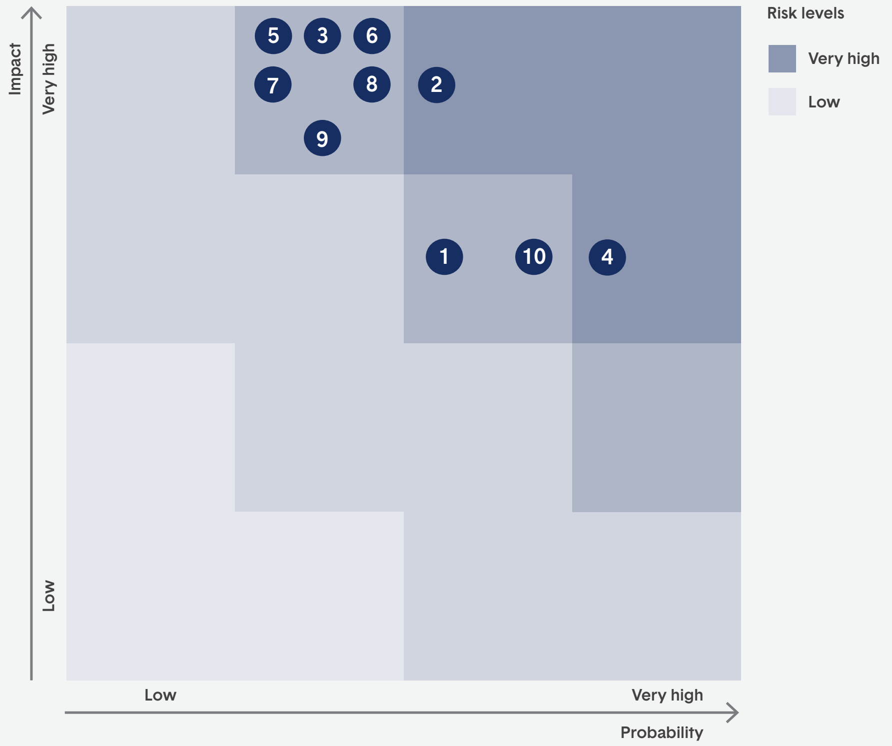
Risk management in 2024

Overview

After the annual risk reassessment, we determined the key risks of the Group for the year 2024, which are listed in the heat map below. The key risks of the Group include the risks that could have a significant impact on the Group's strategy and/or finances.

Heat map of the key risks of the Group

1. ESG Risk of occupational health & safety accidents of employees and contractors (the Group)
2. ESG Risk of insufficient transmission grid capacities (Green Generation)
3. ESG Risk of not achieving Lithuanian offshore WF project goals (Green generation)
4. Risk of liquid hedging products' deficit (Customers & Solutions)
5. ESG Risk of not attracting, developing, and retaining employees (Green Generation)
6. ESG Risk of adverse/unplanned regulatory changes (the Group)
7. Risk of failure to complete the Vilnius CHP biomass unit properly and on time (Green Generation)
8. Risk of repayment of not notified State-aid (Reserve Capacities)
9. Risk of not ensuring the security of Lithuanian electricity system (Reserve Capacities)
10. ESG Risk of high impact cyber attack (the Group)



Management plan of the key risks of the Group

1 Risk of occupational health & safety (OHS) accidents of employees and contractors

Risk level | High

Impact on strategic direction
Sustainability

Primary potential impact
On people's health & safety

ESG type | Social

Risk category | Operational

Period | Long-term

Key sources of risk

- Insufficient risk assessment of workplaces (employees and contractors)
- Lack of practical skills and knowledge
- Failure to comply with safety requirements
- Not efficient enough organisational structure and resources dedicated for OHS

Key mitigation directions

- Training employees according to the approved OHS instructions and the functions assigned to the positions
- Mandatory training of employees (where necessary – certification) in accordance with the applicable requirements
- Training contractors' responsible persons
- OHS control in workplaces (and for contractors' employees)
- Occupational risk assessment of workplaces
- Sharing accident or incident investigation material and conclusions with employees and OHS specialists of other companies (prevention is in progress)
- Continuous communication and sharing best OHS practices within the Group
- Educating contractors and subcontractors and collecting TRIR data
- Standardizing the investigation process of occupational health & safety incidents and accidents
- Implementation of the Group's occupational health & safety programme "Is it safe?"
- Group companies: AB "Energijos skirstymo operatorius", AB "Ignitis gamyba", UAB "Ignitis" and UAB "Ignitis grupės paslaugų centras" are ISO 45001 certified

Monitoring

- Fatal accidents
- Workplaces with violations
- TRIR
- Inspected employees' workplaces
- Control of contractors' workplaces in the facilities of the Group

2 Risk of insufficient transmission grid capacities

Risk level | Very high

Impact on strategic direction
Green Generation

Primary potential impact
Financial

Risk category | Strategic

ESG type | Environmental, climate

Period | Long-term

Key sources of risk

- Limited availability of electricity transmission network capacity reservations (both due to the technical capabilities of the network, the decisions of regulatory authorities and due to growing competition in the markets) limits the Group's opportunities to develop Green Generation projects

Key mitigation directions

- Cooperation with the state authorities in the home markets
- Project hybridisation
- Innovations related to P2X
- Development of Green Generation projects in various countries

Monitoring

- Secured gross Green Generation pipeline, GW
- Green Generation pipeline, with grid reservations, GW
- Green Generation pipeline, limited by grid capacities, GW

3 Risk of not achieving the Lithuanian offshore WF project's goals

Risk level | High

Impact on strategic direction
Green Generation

Primary potential impact
Financial, Reputation

ESG type | Environmental, climate

Risk category | Strategic

Period | Medium -term

Key sources of risk

- Lack of competent and experienced employees
- Project complexity, engagement of many parties with dependency on each other
- Growing demand and competition for securing the supply of the main components for offshore wind farms
- Challenges related to securing good external financing conditions due to project parameters

Key mitigation directions

- Hiring consultants in order to have the necessary competences at the current project development stage
- Recruitment plan for hiring offshore experts has been prepared and is being implemented
- Preparing a detailed project programme to assess the interfaces between different project packages
- Approaching all the main suppliers of the components necessary for offshore wind farms' construction

Monitoring

Periodic reporting of risk signals to the management

4 Risk of liquid hedging products' deficit

Risk level | Very high

Impact on strategic direction
Finance

Primary potential impact
Financial

Risk category | Financial

ESG type | Not related

Period | Medium-term

Key sources of risk
- Lack of derivative hedging, transaction parties and producers in Lithuania and other Baltic states

Key mitigation directions
- Daily monitoring of the hedging portfolio
- Increasing Lithuania's/Latvia's hedging share in the retail electricity portfolio
- Contracting long-term PPAs in Lithuania/Latvia

Monitoring
- Portfolio hedge part in RIG zone
- MtM value of portfolio PnL

5 Risk of not attracting, developing, and retaining employees

Risk level | High

Impact on strategic direction
People and culture

Primary potential impact
Financial

ESG type | Social

Risk category | Strategic

Period | Long-term

Key sources of risk
- Difficulty to ensure the sufficient human resources, replacements while taking into account the rapid development of Green Generation projects

Key mitigation directions
- Offering employees a competitive salary and additional benefits
- Identified critically important competences within the Group for the development of Green Generation projects
- Providing employees with opportunities to improve their competence
- Cooperating with human resources agencies in Lithuania and abroad
- Implementing the Energy Smart Start programme
- Promoting internal career possibilities in the green energy field within the Group

Monitoring
- Time-to-hire rate
- Rate of hire
- Employee turnover rate

6 Risk of adverse/unplanned regulatory changes

Risk level | High	Key sources of risk	Key mitigation directions	Monitoring
Impact on strategic direction Finance **Primary potential impact** Financial **Risk category** | External **ESG type** | Governance **Period** | Long-term	– Uncertainty about future geopolitical environment, EU financial incentives and national priorities after the elections, as well changing regulatory decisions on utility rates, grid modernization and taxation create challenges for the long-term planning and financial performance of the Group.	– Cooperating with regulatory authorities – Participating in consultations and working groups – Centralized monitoring, analysis and coordination of regulatory issues	– Periodic reporting of the risk signals to the management

7 Risk of failure to complete the Vilnius CHP biomass unit project properly and on time

Risk level | High	Key sources of risk	Key mitigation directions	Monitoring
Impact on strategic direction Green Generation **Primary potential impact** Financial, Reputation **ESG type** | Not related **Risk category** | Operational **Period** | Short-term	– Due to the tense geopolitical situation, there is uncertainty of prices and delivery terms of raw materials – A lengthy process for obtaining a conformity assessment report for boilers under the PED Directive – The challenges of voluminous documentation and insufficient staff and contractors – The challenges related to main contractors' change in the middle stage of project implementation	– Actively controlling the contractor's activities, organising subcontracts, work schedules – Changes in project solutions which would allow to reduce the project budget or help implement the project faster – Constantly cooperating with the authorities and, in the event of a possible manifestation of the risk, presenting the delay scenario and providing measures	– Biomass power plant project budget deviation (from the approved plan) – Implementation of the project according to the planned schedule

8 Risk of repayment of not notified State-aid

Risk profile	Key sources of risk	Key mitigation directions	Monitoring
Risk level | High **Impact on strategic direction** Finance **Primary potential impact** Financial **Risk category** | External **ESG type** | Not related **Period** | Long-term	– The EC has not been notified by the state about support allocated to AB "Ignitis gamyba" (Reserve Capacities)	– Continuously collaborating and providing information to the authorities (the EC and the Ministry of Energy of the Republic of Lithuania) – Centralized coordination of regulatory issues within the Group	– Periodic reporting of risk signals to the management

9 Risk of not ensuring the security of Lithuanian electricity system

Risk profile	Key sources of risk	Key mitigation directions	Monitoring
Risk level | High **Impact on strategic direction** Reserve Capacities **Primary potential impact** Reputation **ESG type** | Not related **Risk category** | Operational **Period** | Long-term	– The Group owns energy generation and storage infrastructure that is important for the Lithuanian energy system's security and is responsible for the infrastructure's proper operation – Failure to fulfil the contracted services (e.g., as a result of both internal and external factors) may result in failure to ensure the security of the electricity system	– Personnel training, rotating employees between different energy units in order to maintain competence – Periodic testing of units that provide services to the transmission system operator – Established quality control procedures for the performance and execution of technical maintenance (including repairs) – Equipment maintenance schedule and annual review, adjustment, approval and implementation of maintenance and repair plans – Utilising the integrated asset management system of energy facilities – Incident drills for operational staff – Overhauling energy generation units	– Energy units' availability rates – Energy unit's reliability rates

10 Risk of high impact cyber attack

Risk level | High

Impact on strategic direction
Organisation

Primary potential impact-
Reputation, Compliance

Risk category | Operational

ESG type | Governance

Period | Long-term

Key sources of risk

- Cyber attacks against the Group organised by third parties
- Social engineering attacks, data theft
- Known vulnerabilities in the systems have been removed late or improperly

Key mitigation directions

- Periodically preparing vulnerability reports and submitting them to responsible persons
- Existing vulnerability management process. Vulnerabilities are classified and treated according to their criticality.
- Limiting/isolating critical systems in a local network.
- Cooperating with external partners
- Developing digital security competences by becoming accredited members of the CERT organisation, participating in cyber security exercises with external partners
- Ensuring 24/7 Group-wide cyber security supervision
- Existing incident management process is ensuring effective response

Monitoring

- Number of internal and external critical vulnerabilities
- Average time to fix critical vulnerabilities

Other significant risks and their management directions

Due to the applied effective risk management measures, the risks of not meeting the targets for reducing greenhouse gas emissions, the failure to ensure business continuity and the risks related to corruption and non-compliance have not been included in the Group's key risk register. However, the Group understands the importance of the above-mentioned risks' management for the achievement of sustainability goals and ensuring resilience of Lithuania energy sector, therefore, discloses the information about their management below. More information on the Group's sustainability goals and initiatives is available in section '6 Sustainability report (Corporate social responsibility report)' of this report.

1 The risk of not meeting the targets for reducing greenhouse gas emissions

Risk level | Medium

Impact on strategic direction
Sustainability

Primary potential impact
Reputation

ESG type | Environmental, climate

Risk category | Strategic

Period | Long-term

Main sources of risk

- Lack and unaffordability of technologies for emission reduction
- Changes in electricity emission factors (residual mix factor increased)
- Decreasing green energy sales (green share) Customers are choosing green energy less because of the increasing price (due to the increasing price of guarantees of origin)

Main risk management directions

- Calculating the Group's emissions every quarter, analysing trends and drawing conclusions
- The Group sets targets for reducing the emissions and their implementation measures
- Centralized coordination on emission reduction issues within the Group

Key risk indicators

- Periodic reporting of risk signals to the management

2 Risk of not ensuring business continuity

Risk level | Medium

Impact on strategic direction
Organisation

Primary potential impact
Compliance, Reputation, Financial, People's health & safety

Risk category | Operational

ESG type | Governance

Period | Long-term

Main sources of risk
- The Group companies that are important for national security must meet the requirements of the legal acts regulating the continuity of the activities of these companies
- Different perception of ensuring the business continuity in the Group, different level of maturity

Main risk management directions
- Updated the Group Business Continuity Policy and Standard (integrating internal and external legal regulations into a unified business continuity model applicable to the entire Group; separating responsibilities, etc.)
- Analysing the business impact and then identifying the processes critical to the Group, preparing/updating the emergency management plans and other plans for ensuring business continuity and carrying out exercises of these plans
- Carrying out periodic trainings for company managers, owners of critical processes
- Testing critical processes, carrying out mandatory exercises and additional exercises (with state institutions)

Key risk indicators
- Periodic reporting of risk signals to the management

3 Corruption risk

Risk level | Medium

Impact on strategic direction
Organisation

Primary potential impact
Compliance, Reputation

ESG type | Governance

Risk category | Operational

Period | Long-term

Main sources of risk
- Abuse of power
- Bribery
- Trading in influence
- Conflicts of public-private interests

Main risk management directions
- Applying the ACMS (anti-corruption management system), LST / ISO 37001:2017
- Standardized Group corruption risk assessment and management processes
- Strengthening and automation of existing control mechanisms
- Trust Line for reporting corruption, unethical behaviour, cases of discrimination, etc.
- Group Code of Ethics
- Group Anti-Corruption Policy
- Periodic anti-corruption training
- The standard for withdrawal and dismissal of the Group employees from the decision making, where possibility for conflict of public-private interests exists
- Gift register, registration standard;
- Due diligence on ongoing procurement (before contracts are awarded)
- Participating in anti-corruption initiatives (e.g., Anti-Corruption Hackathon, 'Integrity academy')

Key risk indicators
- Cases of conflicts of interest
- Investigations on corrupt nature cases
- Misdeclaration or non-declaration of private interests
- Number of corruption-related reports
- Declaration of gifts

4 Risk of non-compliance

Risk level | Medium

Impact on strategic direction
Organisation

Primary potential impact
Compliance, Reputation
Financial

Risk category | Operational

ESG type | Governance

Period | Long-term

Main sources of risk

The Group must comply with:
- GDPR;
- MAR;
- REMIT, EMIR;
- Requirements of the third energy package;
- AML;
- other requirements relevant to the Group.

Main risk management directions

- Centralized coordination of compliance issues in the Group
- Mandatory employee training programmes
- Completed separation of distribution, supply, and production activities
- Improving control mechanisms

Key risk indicators

- Cases of sanctions
- Number of incidents
- Number of complaints

Compliance with financial market transparency rules

The Group strives for maximum transparency, effective management of inside information and equality of all financial market participants regarding the availability of the issuer's material information. Effective prevention of market abuse is one of our main priorities. The Group is listed in both London and Nasdaq Vilnius stock exchanges and complies with all relevant EU, Lithuanian and UK laws and regulations.

The Group's own internal market abuse prevention and transparency rules are regularly updated, and the main regulations are made available to the public. The Group periodically trains its employees on market abuse and insider rules. The coordination of market abuse prevention is one of the responsibilities of the Group Business Resilience.

The main market abuse prevention projects carried out in 2023 include:

- updating the Group Market Abuse Prevention Policy, the Group's main document that ensures transparency in the field of financial markets;
- updating the Trading Guidelines for the Issuer's Managers and the Persons Closely Associated with them. By implementing Article 19 of the Market Abuse Regulation (EU) No 596/2014 (MAR) the Group has updated and applies a stricter Closed Period calendar than the requirements of Lithuanian and UK legal acts provide, thus aiming to ensure even greater market abuse prevention and transparency. The persons discharging managerial responsibilities and the persons associated with them are under a duty to disclose their transactions related to the parent company's financial instruments when a EUR 5,000 notification threshold has been reached within a calendar year;
- updating the Group's inside information position matrix and presenting specialized inside information management instructions for target groups. The administration process of the insider list has been streamlined, paying particular attention to the regulation of the renewable energy sector;
- significantly updating a specialized inside information management and trading transparency training course. The course was created to ensure that the persons who are on the insider list are able to identify, manage and disclose inside information and are familiar with the established prohibitions.

Also, the Inside Information Disclosure Committee (comprising 5 experts from finance, law, compliance, investor relations and communication areas) is operating successfully by dealing with complex inside information management issues effectively while ensuring maximum transparency. In its activities, the committee follows the principles of ensuring proper competence and the ability to manage emerging risks, promptly making appropriate decisions, constantly improving the knowledge of the Group employees in the field of market abuse prevention and implementing the best practices.

In 2023, same as in the previous years, the Group has successfully ensured the compliance with all MAR requirements.

Related party transactions

The parent company follows the provisions of the Law on Companies of the Republic of Lithuania (link in Lithuanian) when conducting related party transactions. The Policy on Related Party Transactions of the Group was updated by the decision of the Supervisory Board on 16 June 2023 in accordance with changes in the provisions of the Law on Companies of the Republic of Lithuania. It must be noted that the Supervisory Board of the parent company considers the conclusions of the Audit Committee and makes decisions regarding related party transactions of the parent company and the Group companies if these transactions meet all of the following materiality criteria: (i) the type of the transaction is an investment, acquisition, transfer, lease, pledge and mortgage of assets, surety or guarantee for the fulfilment of obligations; (ii) the amount of the transaction or the aggregate amount of such transactions during the financial year exceeds 1/10 of the asset value shown in the most recent balance sheet; (iii) transactions are conducted under unusual market conditions and/or are not attributable to ordinary economic activities. We disclose information about the concluded related party transactions on our website and, in accordance with the IFRS requirements, in the section '8 Consolidated financial statements' of this report. Additionally, according to Article $37^2(11)$ of the Law on Companies of the Republic of Lithuania, the Group's annual report must include transactions concluded with related parties regarding the investment, acquisition, transfer, lease, pledge and mortgage of assets, surety or guarantee for the fulfilment of obligations, which are entered into in the ordinary course of business under normal market conditions where a transaction or the aggregate amount of such transactions during the financial year exceeds 1/10 of the asset value shown in the most recent balance sheet, as well as information on the legal name, registration code, business form, official register and address of the related party and the amount of the transaction, which is also disclosed in section '8 Consolidated financial statements' of this report.

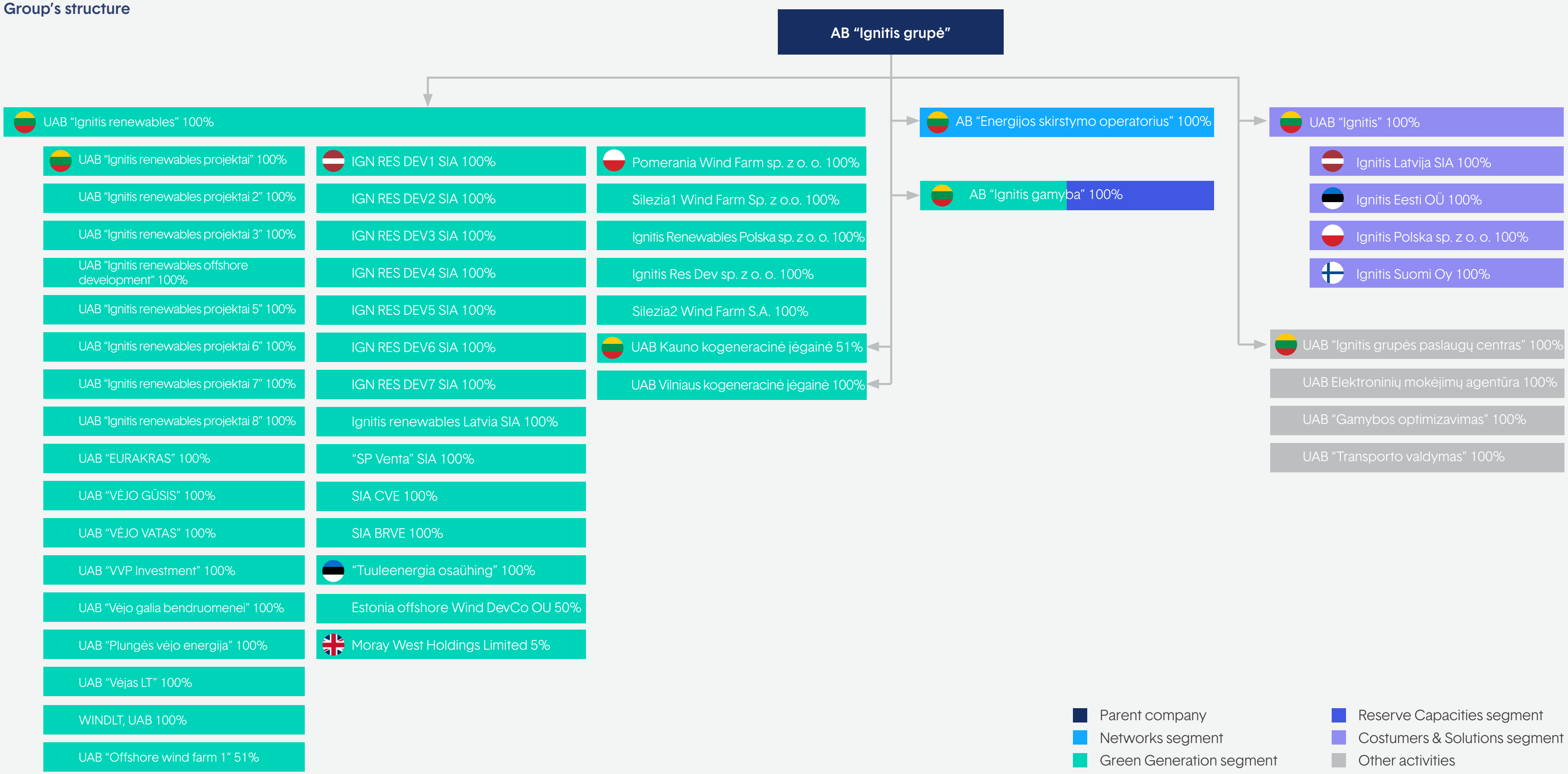
4.8 Group's structure

Overview

AB "Ignitis grupė" is a parent company of the Group, responsible for the coordination of activities and transparent management. Information of the Group companies is presented on the following page. Further information, including the financials of the parent company and its subsidiaries, is available in the section '7 Additional information' of this report and on our website.

Ignitis Group employees

Group's structure



Governance model

The entities presented above are directly or indirectly controlled by the Group, which applies the governance model as on the right side:

Changes in collegial bodies during the reporting period

- **A member of the Supervisory Board of Ignitis Polska Sp. z o. o. resigned.** Agnieszka Nosal, Member of the Supervisory Board of Ignitis Polska Sp. z o. o., has resigned and a new member, Haroldas Nausėda, has been appointed on 16 October 2023 to assume the position until the end of the term of office of the current Supervisory Board.
- **New Supervisory Board and Management Board of Ignitis Latvija SIA were selected.** On 18 October 2023, a new Supervisory Board of Ignitis Latvija SIA was selected for a four-year term, comprising three members: Artūras Bortkevičius, Andrius Kavaliauskas and Darius Šimkus. A new Management Board of Ignitis Latvija SIA was also selected for a four-year term, comprising one member, Kristaps Muzikants.
- **A new Board of UAB Vilniaus kogeneracinė jėgainė was selected.** On 20 October 2023, a new Board of UAB Vilniaus kogeneracinė jėgainė was selected for a four-year term, comprising three members: an independent member, Paul K. Dainora, and shareholder representatives, Mantas Mikalajūnas and Jonas Rimavičius.
- **The Boards of Ignitis Eesti OÜ and Ignitis Suomi Oy have been expanded.** In accordance with the sole shareholder's decisions of 27 October 2023, the Boards of Ignitis Eesti OÜ and Ignitis Suomi Oy have been expanded, namely Eimantas Balta has been appointed to the Board of Ignitis Eesti OÜ and Darius Šimkus to the Board of Directors of Ignitis Suomi Oy. Both will serve until the end of term of the current Boards.

Changes in the Group's structure during the reporting period

- In May 2023, Altiplano S.A. name was changed to Silezia 2 Wind Farm S.A.
- In May 2023, UAB "Ignitis renewables" (Green Generation) established three new subsidiaries: UAB "Ignitis renewables projektai 7", UAB "Ignitis renewables projektai 8" (both registered in Lithuania) and IGN RES DEV7 SIA (registered in Latvia).
- In October 2023, UAB "Ignitis renewables" completed the acquisition of UAB "Vėjas LT" and WINDLIT, UAB (Kelmė WF I & II) in Lithuania and acquired 50% shares of an Estonian company, Estonia Offshore Wind DevCo OÜ.
- In December 2023, UAB "Ignitis renewables projektai 4" name was changed to UAB "Ignitis renewables offshore development".
- In December 2023, AB "Ignitis grupė" became the sole shareholder of UAB „Ignitis grupės paslaugų centras". Previously, four companies held the shares of UAB „Ignitis paslaugų centras": AB "Ignitis grupė" held 50.47%, AB "Energijos skirstymo operatorius" held 26.40%, AB "Ignitis gamyba" held 21.45% and UAB "Ignitis" held 1.68% of the company's shares. Since 21 December 2023 AB "Ignitis grupė" is holding 100% of the subsidiary's shares.

Corporate governance model	Group companies
Supervisory Board Management Board CEO	The parent company
Board CEO	AB "Energijos skirstymo operatorius"[1], AB "Ignitis gamyba"[1], UAB "Ignitis"[1], UAB "Ignitis renewables", UAB Vilniaus kogeneracinė jėgainė, UAB Kauno kogeneracinė jėgainė, UAB Elektroninių mokėjimų agentūra, UAB "Ignitis grupės paslaugų centras", UAB "Ignitis renewables offshore development", UAB "Ignitis renewables projektai 5", UAB "Ignitis renewables projektai 6"
Supervisory Board Management Board	Ignitis Latvija SIA, Ignitis Polska Sp. z o.o., Silezia2 Wind Farm S.A.
CEO	UAB "VVP Investment", UAB "VĖJO GŪSIS", UAB "VĖJO VATAS", UAB "EURAKRAS", UAB "Ignitis renewables projektai", UAB "Ignitis renewables projektai 2", UAB "Ignitis renewables projektai 3", UAB "Ignitis renewables projektai 7", UAB "Ignitis renewables projektai 8", UAB "Vėjo galia bendruomenei", UAB "Plungės vėjo energija", UAB "Vėjas LT", WINDLIT, UAB, UAB "Offshore wind farm 1", UAB "Gamybos optimizavimas", UAB "Transporto valdymas"
Management Board	Ignitis Eesti OÜ, Ignitis Suomi Oy, Tuuleenergia OÜ, Ignitis renewables Latvia SIA, IGN RES DEV1 SIA, IGN RES DEV2 SIA, IGN RES DEV3 SIA, IGN RES DEV4 SIA, IGN RES DEV5 SIA, IGN RES DEV6 SIA, IGN RES DEV7 SIA, SIA CVE, Pomerania Wind Farm sp. z o.o., Ignitis renewables Polska sp. z o.o., Silezia1 Wind Farm sp. z o.o, Ignitis Res Dev sp. z o.o., Estonia Offshore Wind DevCo OÜ, "SP Venta", SIA, SIA BRVE

[1] The Group has adopted decisions to replace a two-tier management model applied in the Group's main subsidiaries ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation) and Ignitis (Customers & Solutions) with a one-tier management model, i.e., to remove the Management Boards made up of employees and instead to form Boards with a supervisory function that are made up of at least 1/3 of independent members, civil servants and shareholder representatives. The new model applied in the subsidiaries ensures simpler but, at the same time, more effective governance, which continues to meet the highest standards of governance, speedy decision-making, fast communication, and active involvement of independent members. Given the different expiry dates of the terms of office in the subsidiaries' collegial bodies, the change in the governance model from a two-tier to a one-tier governance model took place in two stages. In the first stage, the governance model of ESO (Networks) and Ignitis Gamyba (Reserve Capacities and Green Generation) was changed on 14 February 2023 while the governance model of Ignitis (Customers & Solutions) was optimised on 30 May 2023.

Changes in the Group's structure during the Changes in collegial bodies after the reporting period

- **The composition of the Supervisory Board and the Nomination and Remuneration Committee of AB "Ignitis grupė" has changed.** On 21 December 2023, the parent company received a Letter of Resignation from Bent Christensen, an independent member of the Supervisory Board and the Nomination and Remuneration Committee. Bent Christensen's term as a member of the Supervisory Board and the Nomination and Remuneration Committee ended on 4 January 2024.

Changes in the Group's structure after the reporting period

- In January 2024, AB "Ignitis gamyba" established the new subsidiary named UAB "Ignitis gamyba projektai".

Remuneration report

5.1 Nomination and Remuneration Committee Chair's statement

Overview

The overall objective of the Group Remuneration Policy is to attract and retain competent, fast-learning, technologically advanced, globally minded and creative employees. It includes remuneration elements that support our strategy. The Group is rapidly moving towards sustainability, including the management of human resources. Hence, the ongoing transition requires new skills and competences as well as continuous development of the culture. In 2023, we continued to develop our Remuneration Policy to maintain the principles of transparency and clarity.

In this report we provide a transparent and comprehensive overview of the remuneration of the CEO, members of the Management Board, Supervisory Board and its committees, as well as the Audit Committee of the parent company. The reported remuneration is in line with our Remuneration Policy.

Key activities in 2023

The Annual General Meeting of Shareholders of the parent company held on 30 March 2023 agreed to the parent company's Remuneration report for 2022, as part of the parent company's consolidated Annual report 2022. During the meeting no remarks were made regarding the document.

Considering the best governance practices, we made significant changes to the Remuneration Policy in 2023. The changes were effective since 30 March 2023 and include the following:

- an additional remuneration element – a long-term incentive (LTI) , paid for the achievement of long-term targets, has been introduced (for further details, see section 'Long-term incentives' of this report);
- defining the benchmarking market to disclose the peer group that is referred to when assessing the remuneration of Key Executives. The benchmarking includes the local salary market and the remuneration paid by the largest regional companies with comparable capitalisation, size and international element;
- in order to disclose short and long-term variable remuneration parameters, we included an illustrative list with target areas which are usually covered;

Lorraine Wrafter
Chair of the Nomination and Remuneration Committee

- added a clawback (a possibility to recover variable remuneration partially or entirely) in the event of exceptional circumstances, such as the restatement of accounts or an illegal act of an employee whilst achieving the targets set;
- introduced a minimum vesting period of 4 years to better align company performance with executive pay;
- extended the disclosure of the Supervisory Board's fees, which are set without any link to company performance to preserve the independence of the Supervisory Board;
- non-executive director's remuneration has been disclosed in euros;
- a maximum amount of severance pay for Key Executives has been set, which is up to 12 months from their FBS;
- to make it easier for interpretation, the Remuneration Policy has been simplified, made more user-friendly.

The Group also launched a number of additional initiatives related to the economic and work/social environment changes, such as:

- considering the challenging economic situation, the Group supported its employees whose salaries are lower than country's average monthly salary (EUR 1,770 gross[1]) with a monthly compensation of EUR 100[1] from December 2022 until April 2023;
- conducting an additional off-cycle remuneration review for the positions with the most critical staff shortages in the job market;
- continuing to enhance the semi-flexible benefits system by providing an increased variety of options to choose as additional benefits and asking employees which they would like to use for the upcoming year;
- providing employees with an additional day off ('Wellness Day') to encourage employees to take care of themselves and keep a healthy work-life balance and recharge;
- other initiatives, such as hybrid work model. We believe in the benefits of teamwork, so we have implemented a hybrid work model in the Group with possibility to work 2 days per week remotely. Additionally, we are offering an opportunity to work from Lithuania, any other European Union and selected other countries for 2 consecutive weeks per calendar year.

Gradually, throughout 2023, the monthly payment for the activities in the Management Boards was incorporated in their fixed base salary, aiming to meet the best governance practices, where no separate "Board member" fees are paid. That change was triggered by the changes in subsidiaries' corporate governance - from two tiers to one tier, converting executive (management) boards to executive committees.

Plans for 2024

Over the course of 2023, the Group worked with a few international external advisors, which reviewed the appropriateness of the reward structure for the CEO and the members of the Management Board of the parent company as well as the CEOs of the Group companies and benchmarked it with local and foreign peers. However, due to the complex market situation and the absence of companies with similar operations in the nearest regions, the construction of a peer group is still in progress and will be completed in 2024. Meanwhile, we continue to benchmark against the largest companies in the local market.

Also, we are planning to review variable remuneration and other reward elements to evaluate which of them has the biggest impact when creating high-performing organisational culture and to eliminate or adjust the one that are not creating expected outcomes.

Ensuring transparent and effective communication with our shareholders is our top priority. The Nomination and Remuneration Committee is committed to engage with our shareholders and promote an open dialogue on remuneration matters. This commitment underscores our dedication to align the executive compensation with their performance and to ensuring value for shareholders as detailed in our comprehensive remuneration report.

Lorraine Wrafter
Chair of the Nomination and Remuneration Committee

> **Considering the best governance practices, we made significant changes to the Remuneration Policy in 2023.**

[1] *All amounts provided in this section are gross amounts.*

5.2 Remuneration in the Group

Remuneration-related decision-making process

Remuneration structure of the Group is based on two key documents: the Remuneration Policy and the Remuneration Guidelines. The Remuneration Policy defines the key principles and essential provisions on remuneration management and structure whereas Remuneration Guidelines, which is an internal document, is a supporting document detailing the provisions of the Remuneration Policy (e.g., setting and evaluating objectives, determining and payment of short-term incentives). Both documents are integrated and apply to all companies of the Group.

The Remuneration Policy's approval process is based on the Lithuanian Labour Code, the Corporate Governance Code for the Companies Listed on Nasdaq, and the Law on Companies. The parent company is required to submit any proposed amendments to the Remuneration Policy for the approval of the General Meeting of Shareholders. Before that, the parent company's Nomination and Remuneration Committee and the Supervisory Board provide their comments and proposals regarding the amendments to the Remuneration Policy. We also inform and consult the representatives of employees of the parent company and the Group companies as well as other stakeholders. The latest version of the Remuneration Policy is available on our website.

The Remuneration Guidelines are approved by the decision of the parent company's Management Board.

Remuneration Policy and its structure

The key objective of our Remuneration Policy is to support the Group's pathway towards achieving its goals through 5 key principles detailed on the right side.

The Remuneration Policy defines the remuneration structure, the fixed base salary (FBS) review and determination process, the composition of the maximum variable remuneration, related guidelines, principals, etc. To be competitive in the market and to ensure internal fairness, we participate in annual remuneration market surveys to obtain a fair view of market expectations and tendencies.

Overall, our Remuneration Policy is designed to attract, retain, and motivate employees to ensure the achievement of the Group's targets. Thus, we aim to pay the median of the market where the Group companies operate. Depending on the competitive environment in a certain country or the strategic objectives set for a Group company, a different remuneration ratio (higher or lower) than the median of remuneration market may be set. To ensure the principle of external competitiveness, the FBS salary ranges may be determined and reviewed annually while considering the data of an independent national salary survey and the remuneration market trends. Salary ranges are determined for each job level based on the median of the salary market (except for the top-level managers, whose salary ranges are below the median of the market salary due to historical gap between the ranges and the market salary, which is being decreased on a yearly basis). While we are one of the biggest job market players in Lithuania, there is lack of salary data for a top management level in local remuneration surveys. For this reason, second year in a row the Supervisory Board is advised by international remuneration consultant who provides independent opinion on executive's remuneration compared to local salary market.

Key principles of the Remuneration Policy

Internal fairness	We ensure that similar- or same-value-creating work is compensated equally throughout the organisation.
External competitiveness	Employees are entitled to receive a competitive salary based on their function, market conditions and geography.
Clarity	We aim that all employees are informed about how their performance, competences and qualification impact their remuneration package as well as on what basis it is set.
Transparency	We believe in transparency and share our objective remuneration criteria with our employees.
Equal opportunities and non-discrimination	Decisions on remuneration must be made in accordance with the provisions set out in the Remuneration Policy and the Equal Opportunities and Diversity Policy in force in the Group.

Remuneration structure

Type	Element	Applicability	Description and performance measures
Fixed remuneration	Fixed base salary (FBS)	All Group employees	FBS is established in the employment contract while considering the level of the position and the level of competence of the employee required for the position. FBS is paid on a monthly basis. FBS revision is performed during the annual performance review or when necessary (in case of changes in functions, career, etc.).
Fixed remuneration	Payment for being a board member (PBM)[1]	Members of the parent company's or Group companies' collegial bodies	PBM is fixed and paid on a monthly basis (for more information, see section 'Remuneration of collegial bodies of the parent company').
Variable remuneration	Short-term incentives (STI)	All Group employees	Performance-based incentivization (cash-based), i.e., for meeting targets or indicators set for an individual position. STI proportion is determined as a percentage of FBS, STI of up to 20% (of the annual FBS) applies for the executives and positions with strategic responsibilities, and other employees receive up to 10%. In order to achieve the flexibility of the remuneration system for specific job groups, a specialized remuneration system with different STI size or payment frequency may be introduced.
Variable remuneration	Long-term incentives (LTI)	Key Executives[2]	Performance-based incentivization (cash-based) for meeting specific and measurable targets of a four-year strategic period (not overlapping with STI targets[4]). Long-term incentives are determined by evaluating the sustainable business performance over a rolling four-year performance period and are paid after the end of each strategic period of 4 years.
Variable remuneration	Long-term incentives (LTI)	Managers with strategic responsibilities[3]	Performance-based incentivization (cash-based) paid for the development of strategic long-term projects and/or activities carried out in the Green Generation segment (not overlapping with STI targets[4]). Criteria for and objectives of the implementation of long-term targets in the Green Generation segment may be determined and approved by the Management Board of the parent company.
Other rewards	Additional financial incentives	All Group employees except CEOs, members of the Management Board of the parent company and the executive committees of the Group companies	Performance-based incentivization to promote extraordinary results or for managing strategically important initiatives of the Group. Additional financial incentives may be provided at the initiative and discretion of the employer and are not a guaranteed part of the remuneration package.
Other rewards	Expatriate's/attraction package	Employees who are hired from a foreign country	Reimbursement of additional expenses related to the relocation of an employee from one country to another due to his/her job functions. It also is used to attract talents from foreign countries.
Other rewards	Additional benefits	All Group employees	Non-cash remuneration such as accidental injury insurance and a variety of health insurance schemes with pre-set funds (amount does not exceed 1000 euros per person and is the same for everyone, contributions to a private pension fund and other benefits applied according to the internal procedures and an employee's decisions. It is designed to promote employee motivation and loyalty. The additional benefits package for the members of the Management Board of the parent company and the executive committees of the Group companies additionally includes a company EV or mobility allowance.

[1] Starting from 18 September 2023, PBM was merged with FBS.
[2] Key Executives – employees holding the position of a member of the Parent company's Management Board as well as CEOs of AB "Energijos skirstymo operatorius", UAB "Ignitis", AB "Ignitis gamyba" and UAB "Ignitis renewables".
[3] Managers with Strategic Responsibilities – managers who have long-term (>1 year) strategic objectives in renewable energy projects and/or activities.
[4] This rule shall apply from 30 March 2023, following the approval of a new version of the Remuneration Policy by the General Meeting of Shareholders of the parent company.

Remuneration structure is primarily consistent across the Group, including for members of the parent company's Management Board, whose remuneration structure is consistent with the structure for remaining employees of the Group. It includes fixed and variable remuneration parts, which are described in detail in the following table. Additionally, further information on short-term incentives (STI) and long-term incentives (LTI) is provided separately in the following pages.

The complete Remuneration Policy and further information on human resources management are available on section '6 Sustainability report (Corporate social responsibility report) and on our website.

Short-term incentives

Short-term incentives (STI), i.e., a percentage of the annual FBS paid to a particular position or an employee for meeting the goals set for him/her, are tied to performance results. The maximum STI level set for the parent company's Management Board as well as CEOs, members of executive committees and top executives of the Group companies is 20% of the annual FBS. For the remaining employees the maximum STI level is capped at 10% (except employees working with renewable energy projects and/or activities, working in sales/trading, and having strategic objectives).

Maximum STI level, depending on the employee's position within the Group, is provided in the following table. Additionally, further information about STI objectives of members of the parent company's Management Board, including the CEO, and the performance results are provided in section 'Remuneration of the parent company's Management Board' on the following page.

Overachievement of the targets is not rewarded. Deferral or recovery of STIs are not possible in the Group. However, it is possible to withhold paying, reduce or require to return the STIs in part or in full to/from an employee who commits unlawful acts whilst achieving the set targets or in cases such as the restatement of accounts or the submission of erroneous data. Further details on this matter are described in Remuneration Policy (malus and claw-back).

Maximum STI level depending on the employee position within the Group

Position category	Maximum STI level (of the annual FBS)
Members of the Management Board of the parent company	20%
CEOs (executives) / members of the Group companies executive committees	20%
Mid-level managers of the Group	10% / 20%[1]
Other employees of the Group	10% / 20%[1]

[1] The maximum STI level is set at 20% of the annual FBS for employees with strategic responsibilities (who have long-term (>1 year) strategic objectives in renewable energy projects and/or activities).

Long-term incentives

When implementing the parent company's IPO in 2020, a long-term incentive share options programme for employees and executives of the Group had been introduced. However, because the Group
is one of the first SOEs introducing such incentive schemes, it was challenged by a public prosecutor, questioning the programmes' compliance with national legal acts, and suspended by applying interim measures on 3 May 2021. The parties decided to resolve the dispute in the most reasonable and economic manner, considering the Group's decision to terminate the suspended programme. In May 2021, the top executives of the Group terminated the concluded executive option agreements on their own initiative and in March 2022 the collegial bodies of the Group annulled other documents disputed in the claim. As stated in the Remuneration Policy, the Group's Supervisory Board approves the long-term goals of the top managers of the Group based on the Group's strategy, and, after the cancellation of the long-term incentive share options programme, the motivation to achieve these goals were not linked to their financial remuneration.

Therefore on 30 March 2023 a new Remuneration Policy was amended, where a cash-based long-term remuneration element for existing strategic targets was introduced. The long-term objectives of the top managers that align with the strategy of the Group are approved by the Group's Supervisory Board. LTI is based on the performance during the strategic periods, and the first LTI payment will take place in Q2 2024 for the 2020–2023 strategic period. We disclose our LTI plan, outlining strategic goals for the period 2020-2023 in section 'Long-Term Incentive (LTI) Targets', whereas goals for rest of tranches (2021-2024, 2022-2025, 2023-2026) are made publicly accessible on our website, Nasdaq Vilnius and London stock exchanges, thus ensuring information transparency and accessibility for our shareholders. It is important to note that the strategic goals for the period 2024–2027 together with a strategic plan are expected to be announced and approved later in 2024. Therefore, these objectives are not publicly disclosed.

Long-term incentives (LTI), i.e., a percentage of the annual FBS paid to an employee in a particular position category for meeting the goals set for him/her, are tied to performance results. The maximum LTI level set for the Key Executives is 40% and for Managers with Strategic Responsibilities is 30% of the average annual FBS paid during the strategic period. The LTI targets are tied to the objectives defined in the Group's four-year strategic plans.

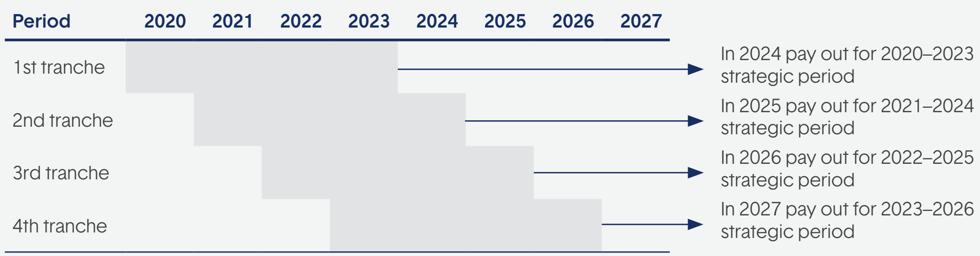
Objective-based maximum LTI level, depending on the employee's position category within the Group, is provided in the following table. Additionally, further information about LTI objectives and the performance results are provided in section 'Remuneration of the parent company's Management Board' below.

Overachievement of the targets is not rewarded. Deferral or recovery of LTIs are not possible in the Group. However, it is possible to withhold paying, reduce or require to return the STIs in part or in full to/from an employee who commits unlawful acts whilst achieving the set targets or in cases such as the restatement of accounts or the submission of erroneous data. Further details on this matter are described in Remuneration Policy (malus and claw-back).

LTI composition depending on the employee position within the Group

Position category	Maximum LTI level (of the average annual FBS paid during the strategic period)
Key Executives (members of the Parent Company's Executive Board, as well as CEOs of AB "Energijos skirstymo operatorius", UAB "Ignitis", AB "Ignitis gamyba" and UAB "Ignitis renewables")	40%
Managers with Strategic Responsibilities	Up to 30%

Payout periods and calculation example (according to strategic plans)



- The LTI payout is calculated using the following formula:
LTI = (Total FBS paid during the strategic period) / 4 x amount of LTI (%) x percentage of achieved LTI objectives (%)

5.3 Remuneration of the parent company's Management Board

Overview

In this section we provide the development of paid remuneration including both former and current members of the Management Board. More in-depth information about the former members of the Management Board is available in the section 'Governance report' of our previous annual reports, and about the current Management Board – in section '4 Governance report' of this report.

The remuneration paid to the former as well as current members of the parent company's Management Board during their term of office was in line with the Group Remuneration Policy. However, in 2020 there have been changes made to our Remuneration Policy to align the STI structure within the Group companies. Accordingly, part of the parent company's Management Board's STI was transferred to the FBS, resulting in a FBS increase (STI before transfer was 40%, now 20%). Also, during the reporting period there has been an additional change – the payment for the activities in the Management Board was merged with the FBS, resulting in technical FBS increase. Both changes prevent adequate comparability between different periods.

The parent company Management Board's remuneration during 2019–2023, EUR (before taxes)

		2023	2022	2021	2020[8]	2019
FBS[1]	Darius Maikštėnas	176,511	144,040	128,578	121,311	94,135
	Jonas Rimavičius[5]	137,111	94,919	-	-	-
	Dr. Živilė Skibarkienė	145,012	121,042	107,998	98,374	74,261
	Vidmantas Salietis	143,314	120,396	107,770	101,477	77,540
	Mantas Mikalajūnas[5]	137,019	96,100	-	-	-
	Darius Kašauskas[6]	-	40,871	108,049	101,617	78,573
	Dominykas Tučkus[7]	-	-	59,528	101,742	79,534
PBM[2]	Darius Maikštėnas	22,162	31,118	30,600	30,600	30,600
	Jonas Rimavičius[5]	15,343	18,663	-	-	-
	Dr. Živilė Skibarkienė	15,343	21,624	21,780	21,780	21,780
	Vidmantas Salietis	15,343	21,624	21,780	21,780	21,780
	Mantas Mikalajūnas[5]	15,343	18,663	-	-	-
	Darius Kašauskas[6]	-	3,057	21,780	21,780	21,780
	Dominykas Tučkus[7]	-	-	10,631	21,780	21,780
Fixed remuneration (FBS+PBM)	Darius Maikštėnas	198,673	175,158	159,178	151,911	124,735
	Jonas Rimavičius[5]	152,454	113,582	-	-	-
	Dr. Živilė Skibarkienė	160,355	142,666	129,778	120,154	96,041
	Vidmantas Salietis	158,657	142,020	129,550	123,257	99,320
	Mantas Mikalajūnas[5]	152,362	114,763	-	-	-
	Darius Kašauskas[6]	-	43,928	129,829	123,397	100,353
	Dominykas Tučkus[7]	-	-	70,159	123,522	101,314

(continued)

It must be noted that in 2023 there was a significant increase in the fixed remuneration part for Management Board members compared to 2022. The increase in Management Board members' salaries is attributed to our commitment to maintain competitive compensation practices. Through our benchmarking process, we aim to align our salaries with industry standards and strive to position ourselves at the median. While our employees are already at this benchmark line, our executive salaries were below the minimum of market range. Having in mind the outstanding results of the Group and to address this disparity and retain top talent, a more substantial increase is deemed necessary to reduce the significant gap between the executives' remuneration and the market practices. To address this disparity and retain top talent, a more substantial increase is deemed necessary to reduce the significant gap between the executives' remuneration and the market practices.

Overall, the Group's performance in 2023 was strong, resulting in the outperformance of guidance and the achievement of the 2023 STI and 2020-2023 LTI objectives. For both remuneration elements, the payments will be made in Q2 2024 (for further details, see the sections 'Short-term incentives (STI)' and 'Long-term incentives (LTI)' on the following page).

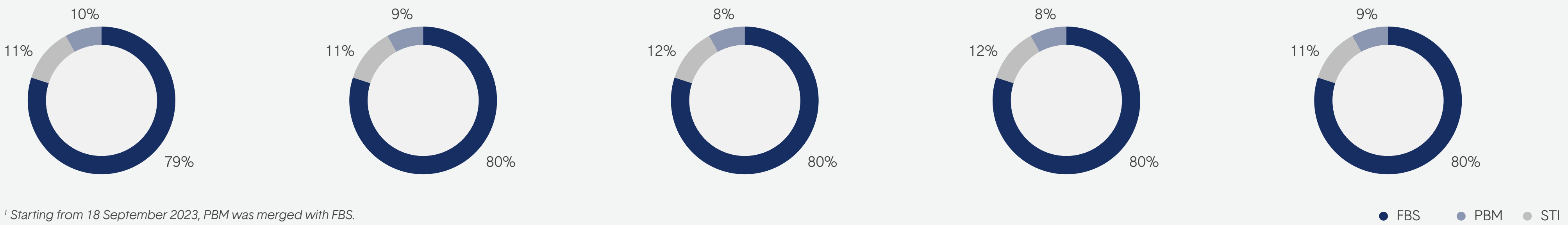
The parent company Management Board's remuneration during 2019–2023, EUR (before taxes) (cont.)

		2023	2022	2021	2020[8]	2019
STI[3]	Darius Maikštėnas	25,231	22,427	22,005	34,829	30,090
	Jonas Rimavičius[5]	18,777	7,809	-	-	-
	Dr. Živilė Skibarkienė	21,000	18,666	18,315	29,008	21,979
	Vidmantas Salietis	21,000	18,666	18,315	29,008	21,780
	Mantas Mikalajūnas[5]	19,027	16,846	-	-	-
	Darius Kašauskas[6]	-	113,265	18,315	29,008	32,330
	Dominykas Tučkus[7]	-	-	26,184[7]	29,008	32,104
LTI[4]	Darius Maikštėnas	-	-	-	-	-
	Jonas Rimavičius[5]	-	-	-	-	-
	Dr. Živilė Skibarkienė	-	-	-	-	-
	Vidmantas Salietis	-	-	-	-	-
	Mantas Mikalajūnas[5]	-	-	-	-	-
	Darius Kašauskas[6]	-	-	-	-	-
	Dominykas Tučkus[7]	-	-	-	-	-
Variable remuneration (STI + LTI)	Darius Maikštėnas	25,231	22,427	22,005	34,829	30,090
	Jonas Rimavičius[5]	18,777	7,809	-	-	-
	Dr. Živilė Skibarkienė	21,000	18,666	18,315	29,008	21,979
	Vidmantas Salietis	21,000	18,666	18,315	29,008	21,780
	Mantas Mikalajūnas[5]	19,027	16,846	-	-	-
	Darius Kašauskas[6]	-	113,265	18,315	29,008	32,330
	Dominykas Tučkus[7]	-	-	26,184[7]	29,008	32,104
Total remuneration	Darius Maikštėnas	223,904	197,585	181,183	186,740	154,825
	Jonas Rimavičius[5]	171,231	121,391	-	-	-
	Dr. Živilė Skibarkienė	181,355	161,332	148,093	149,162	118,020
	Vidmantas Salietis	179,657	160,686	147,865	152,265	121,100
	Mantas Mikalajūnas[5]	171,389	131,609	-	-	-
	Darius Kašauskas[6]	-	157,193	148,144	152,405	132,683
	Dominykas Tučkus[7]	-	-	96,343	152,530	133,418

[1] FBS is the same for all former members (except CEO / Chair of the Management Board) of the parent company's Management Board. The differences appear due to sick leaves.
[2] Starting from 18 September 2023, PBM was merged with FBS.
[3] STI are paid in Q2 for the previous calendar year's results (e.g., STI for 2022 was paid in Q2 2023, thus STI pay-out in 2023 reflects the achievement of 2022 targets, for further details see diagram 'Remuneration payment timeline for a fiscal year' below).
[4] The first LTI payment for the 2020–2023 strategic period's results will be paid in Q2 2024.
[5] Jonas Rimavičius and Mantas Mikalajūnas were elected as members of the Management Board on 18 February 2022, causing comparison discrepancies. Since the amounts of STIs are indicated for the entire calendar year, it must be noted that EUR 16,192 out of total STIs paid in 2023 to Jonas Rimavičius and Mantas Mikalajūnas (each) were paid for their 2022 performance as Management Board members, while the amounts paid to them in 2022 are related to their performance in 2021, a time when they did not hold the Management Board member positions.
[6] The term of office of Darius Kašauskas as a Management Board Member ended on 18 February 2022 (the job agreement terminated on 28 February 2022) causing comparison discrepancies. Accordingly, the STI payment in 2022 includes 9 average monthly payments as a severance payment of EUR 94,599 (before taxes).
[7] On 25 June 2021 Dominykas Tučkus resigned from the position of a Member of the Management Board causing comparison discrepancies. Accordingly, the STI payment to Dominykas Tučkus in 2021 includes the STI for 2021 results. There was no severance payment.
[8] To align the STI structure within the Group, a part of STI (20% out of 40%) was transferred to the FBS, thus increasing the FBS paid for 2020 and decreasing the STI paid for 2019 in 2020.

The parent company Management Board's composition of cash-based remuneration in 2023, %[1]

Chair, CEO | **Member, CFO** | **Member, Head of Group Organisational Development** | **Member, Head of Group Commercial Activities** | **Member, Head of Group Regulated Activities**



[1] *Starting from 18 September 2023, PBM was merged with FBS.*

Remuneration payment timelines for a fiscal year[1, 2, 3]

[1] *FBS is paid monthly, and annual review is conducted in March with effective date being 1 April.*
[2] *STIs are paid in Q2 for the previous calendar year's results.*
[3] *LTIs are paid in Q2 for the previous strategic period's results.*

Short-Term Incentive (STI) Targets

2023 STI objectives and achievement overview

Annual objectives of the CEO and the members of the parent company's Management Board are based on the Group's strategic plan and are aligned with the annual objectives of the Group. The objectives are approved and their achievement, which is related to the STI size, is assessed by the Group's Supervisory Board.

The criteria applicable to the STI of the members of the parent company's Management Board, including the CEO, for 2023 and objective achievements are available in the following table. The information on the STI objectives and their achievement in the previous periods is available on our website.

The parent company Management Board's 2023 STI objectives and achievement

Performance criteria	Weight	Objective	Access threshold (70%)	Threshold I (80%)	Threshold II (90%)	Target and maximum (100%)	2023 actual result	Achieved performance	Achieved payout
Financial targets	30%	**Group Adjusted EBITDA**	EUR 413 million	[1]	[1]	EUR 480 million	EUR 485 million	100%	30%
Strategic projects and key milestones	20%	**Developing offshore wind projects:** – LT Offshore project awarded – One more offshore project awarded	1/2	n/a	n/a	2/2	2/2	100%	20%
	20%	**Expanding green generation onshore portfolio:** – Expansion of onshore portfolio[2] over the year 2023 (10%) – New advanced development projects (pipeline) and/or new grid secured during 2023[3], MW (10%)	+0.7 GW ≥ 200 MW	+0.9 GW ≥ 300 MW	+1.1 GW ≥ 425 MW	+1.2 GW ≥ 675 MW	+0.7 GW 924 MW	70% 100%	7% 10%
	10%	**An integrated approach for intra-group synergy realization:** – Optimal power off-take approach established and started to implement group-wide (5/5 milestones completed in 2023)	4/5	[1]	[1]	5/5	5/5	100%	10%
Sustainability targets	20%	**ESG targets with focus on:** – **Increasing safety at work (10%):** – Zero work-related fatal accidents (own employees and contractors)	0			0	0		
		– TRIR[4] of own employees	<2.4	[1]	[1]	<2.1	0.8	100%	18.8%
		– TRIR[4] contractors	<4.2			<3.9	0.9[5]		
		– **Implementation of inclusive recruitment program 2023[6] (10%)**	70%	[1]	[1]	100%	88%	88%	
		STI, %							**96%**
		STI, % of FBS (maximum STI level equal to 20% of annual FBS)							**19.2%**

[1] Targets are measured according to the achievement scale with linear interpolation between the thresholds. [2] Total (gross) probability adjusted portfolio (targeted 2023 value of probability adjusted portfolio exclude offshore wind projects and capacity installed) is comprised of public portfolio and opportunistic pipeline, calculated taking into account probability adjustments, as per approved calculation and disclosure principles. The targeted change/expansion over the year 2023 is measured by taking the 31 December 2023 value compared to the portfolio value at the year end of 2022. [3] 90% and 100% thresholds include hybridisation. [4] TRIR – the rate of total recordable work-related injuries (number of recordable incidents x1,000,000 /total number of hours worked over the year). TRIR contractors include contracts above 0.5 EURm/year. [5] Tracking of UAB "Ignitis" TRIR contractors started on 7th of July 2023. Tracking of AB "Energijos skirstymo operatorius" TRIR contractors include full scope of incidents, however, the hours included in TRIR calculations include only contracts above 0.5 EURm/year. [6] Ensuring gender balance in top management recruitment process: at least 33% of the underrepresented gender in shortlist of top management positions for completed recruitments of new/vacant positions in 2023 with the following exceptions: the selection of shareholder's representative is being organized and/or there is a reasonable purpose to ensure business continuity by appointing a person to the position due to structural/organizational changes.

2024 STI objectives' overview

In the table on the right, we illustrate the STI objectives for 2024. Such information is market sensitive, so the detailed information on the performance and assessment will be provided in our annual report 2024.

The parent company Management Board's STI objectives for 2024

Performance criteria	Weight	Objectives
Financial targets	40%	Group Adjusted EBITDA
Strategic projects and key milestones	45%	– Expanding green generation onshore portfolio (15%) – Executing Offshore wind project in Lithuania according to plan (10%) – Developing Green Flexibility (20%)

Sustainability targets	15%	– ESG targets with focus on:
		  – Net Zero target validation with SBTi during 2024 (5%);
		  – Increasing safety at work[1] (5%);
		  – Implementation of inclusive recruitment program 2024 (5%).

[1] *Zero work-related fatal accidents (own employees and contractors), TRIR – the rate of total recordable work-related injuries (number of recordable incidents x 1,000,000 / total number of hours worked over the year).*

Long-Term Incentive (LTI) Targets

2020–2023 LTI objectives and achievement overview

Long-term objectives of the Key Executives are based on the Group's strategic plan and are aligned with the Strategic plan 2020-2023 objectives of the parent company. The objectives are approved and their achievement, which is related to the LTI size, is assessed by the Group's Supervisory Board. 2020-2023 is the first the period of Group's strategic plan when achievement of its objectives is assessed and paid for.

LTI objectives for other periods (2021-2024, 2022-2025, 2023-2026) are made publicly available on our website, Nasdaq Vilnius and London stock Exchange, thus ensuring information transparency and accessibility for our shareholders. New LTI objectives for the 2024–2027 period will be published once they are approved as well.

The criteria applicable to the LTI of the Key Executives including the CEO, for 2020-2023 and upcoming strategic periods are available in the table on the right side and on our website. AB "Ignitis grupė" long-term incentive performance model and incentives objectives achievement calculations for 2020-2023 period were reviewed by Ernst & Young Baltic UAB.

The parent company Management Board's 2020–2023 LTI objectives and their achievement

	Weight	Targets	Access threshold (70%)	Target and maximum (100%)	Actual result	Achieved performance	Achieved payout
Performance	40%	**TSR** The total shareholder return[1] (TSR) compared to the Euro Stoxx Utilities average	≥70% of the Euro Stoxx Utilities average, EUR	Euro Stoxx Utilities average, EUR	112%[2]	100%	40%
Returns	30%	**Adjusted EBITDA** for 2023	EUR 315 million	EUR 350 million	EUR 485 million	100%	30%
Growing renewables	20%	**Green generation installed capacity**, GW Installation of "green MW"	-	1.6	1.3	0%	0%
Targeting Net Zero emissions	10%	**CO_2 reduction plan** Preparation of a CO_2 reduction plan and achievement of its objectives (1-3 reduction volumes)[3]	-	100% plan execution	100%[4] plan execution	100%	10%
		LTI, %					**80%**
		LTI, % of FBS (maximum LTI level capped at 40% of average annual FBS paid during the strategic period)					**32.0%**

[1] Total profit earned per shareholder (dividend yield + share price increase). The EURO STOXX® Utilities Index shall be used and the TSR of the Group and EURO STOXX Utilities Index shall be calculated on the basis of the three month period before the start of the program and the three-month period before the end of the program in order to smooth out possible market fluctuations. In the case of the first program, the first three months of marketing shall be used to determine the start of the period.
[2] It should be noted that during the strategic period of 2020-2023, the Group's average TSR was +17.2%, while the average TSR of the Euro Stoxx Utilities Index was +15.3% (both calculated as described in note 1).
[3] Preparation of a CO_2 emission reduction plan, coordination with the Science Based Target initiative and implementation as planned (in parallel with the development of green production by reducing emissions related to the Group's activities (reduction volume 1), as well as reducing energy consumption (reduction volume 2) and supply chain emissions (reduction volume 3)).
[4] CO_2 emission reduction plan was prepared and aligned with SBTi in Nov 2021. The total SBTi aligned target/CO_2 reduction plan for the period 2020-2023 was 19.35 million t eq. CO_2 (calculated as described in note 3 – including Scope 1, 2 and 3, excluding Vilnius CHP and out of scope (biogenic) related GHG emissions), the actual GHG emissions – 19,23 million t eq. CO_2 (Total GHG emissions for the period are 20.55 million t eq. CO_2 minus Vilnius CHP and out of scope (biogenic) GHG emissions equal to 1.31 million t eq. CO_2).

Further information on contractual terms and remuneration of the members of the parent company's Management Board

Severance payments

Members of the parent company's Management Board (who are also employees of the parent company) are entitled to the severance payments, in accordance with the Labour Code, upon termination of their contractual relationship. According to the Remuneration Policy, severance payments higher than provided for in the Labour Code could only be awarded to the Management Board members by the decision of the parent company's Supervisory Board. The amount of a severance payment cannot be higher for a Management Board member than his/her 12 (twelve) average monthly salaries.

No severance payments for Key Executives were made during 2023 (in 2022, a severance payment of EUR 94,599 (before taxes) was disbursed to D. Kašauskas).

Handling STIs and LTIs in the event of termination

In the event of termination of the employment relationship, "good leaver" and "bad leaver" conditions are applied to STI and LTI payouts. The payment of STIs and LTIs is reduced proportionately according to the time worked in the position during the implementation period of these objectives.

An additional condition in the event of termination of the employment relationship before the end of the reporting period for paying for the achievement of STI objectives is that intermediate STI results must be approved by the appointing body. If the achievement of STI objectives cannot be assessed because the deadline for their implementation has not yet expired, the most recent percentage of the achievement of the objectives which has been approved or presented to the appointing body is taken into account in order to assess the achievement of the above-mentioned objective or, in the absence of such a percentage, the achievement of the objective is considered to be 0 percent.

Non-compete overview

Non-compete agreements with members of the Management Board were concluded in 2023 together with an overall non-compete policy overview of the Group. According to the Remuneration Policy, non-compete compensation higher than provided for in the Labour Code could only be awarded to the Management Board members by the decision of the parent company's Supervisory Board. The Group's Non-Compete Policy specifies in further detail the non-compete compensation limits (when an employment contract is terminated) applicable to the Group employees:

- monthly compensation limit is 70% of the FBS with 9 months of non-competition period;
- non-compete compensation terms may be negotiated and concluded on a case-by-case basis but not exceed the above-mentioned limits.

Over the course of 2023 the Non-Compete Policy was reviewed and introduced to strategically important positions in the Group. The unified Non-Compete Policy is in force within the Group since 28 August 2023. During 2023 non-compete compensation was paid to one employee of the Group from December 2022 to November 2023.

Overview of the CEO's contractual terms

In accordance with the Law on Companies, an employment agreement is concluded with the CEO of the parent company. The CEO may resign by a written notice addressed to the Management Board that elected him/her. The Management Board that elected the CEO shall decide regarding the removal of the CEO within 15 days from the date of the receipt of the resignation letter. Also, according to the Law on Companies, the CEO may be removed from office by the competent body without notice. A separate written non-compete agreement was concluded with the current CEO in accordance with the provisions of the Labour Code on 1 March 2022. Non-compete agreement conditions correspond to the general company's and best market practices.

Other information

1. The parent company's Management Board members may own shares of the parent company, but shares are not granted as part of remuneration by the Group. For further details, including the latter, and the details on the trading guidelines for the parent company's managers and persons closely associated with them, see section '4 Governance report' of this report.
2. The parent company's Management Board does not receive any remuneration (e.g., board fees or similar) from associated companies in the Group.
3. None of the members perform consultancy work for the Group.
4. There are no agreements concluded between the parent company and the members of the Management Board that provide for compensation in case of their resignation or dismissal without a reasonable cause or in case of termination of their employment as a result of the change in control of the parent company.
5. The remuneration of the members of the parent company's Management Board for participating in the activities of the committees or collegial bodies of the Group companies is included in their remuneration for their activities in the Management Board, and they do not receive additional remuneration for the activities in the committees.
6. There are no special benefits or payments that are not required by the Labour Code or not mentioned in remuneration structure (under "additional benefits" part) are provided to the members of the Management Board of the parent company.

5.4 Remuneration of the Supervisory Board, its committees, and the Audit Committee of the parent company

Overview

The remuneration principles for members of the Supervisory Board, its committees, and the Audit Committee of the parent company are established under the Guidelines for the Corporate Governance of a State-Owned Energy Group, the Description of the Procedure for the Payment of Remuneration to Members of the Collegial Bodies of State Owned Enterprises and Municipal-Owned Enterprises, as approved by Resolution No 794 of the Government of the Republic of Lithuania of 3 August 2022 (link in Lithuanian), and Remuneration Policy. Following the recommendations of the Governance Coordination Centre and the best market practices, the principles of remuneration for the members of the collegial bodies of the parent company and the Group companies were adjusted in 2022 by starting to pay the remuneration for the civil servants that are members of the collegial bodies as well as by adjusting the amounts paid to other members. These principles came into force after the General Meeting of Shareholders' approval of the amended Remuneration Policy on 29 September 2022. We expect this change to improve the remuneration transparency, clarity and help attract civil servants in the future.

Key principles of the remuneration of the Supervisory Board, its committees, and the Audit Committee of the parent company

The minimum monthly remuneration paid for the activities in the Supervisory Board, its committees, and the Audit Committee was set according to the Guidelines for the Corporate Governance of a State-Owned Energy Group. The Group chose to pay the minimum amounts that were set under these Corporate Governance Guidelines. The Group has also set the other remuneration principles, including:

- remuneration for the activities in Supervisory Board, it's committees and the Audit Committee, which is fixed for the full term and does not depend on the results of the performance of the parent company or the Group companies;
- remuneration of the members of the parent company's Supervisory Board for participating in the activities of its committees and the Audit Committee, which is included in their remuneration for their activities in the Supervisory Board, and they do not receive additional remuneration for the activities in the committees;
- members of the Supervisory Board, it's committees and the Audit Committee members are not entitled to severance payments upon termination of their contractual relationship.

More information about the remuneration of collegial bodies of the Group companies is available in our Remuneration Policy.

Remuneration of members of the parent company's collegial bodies

Position in a collegial body	Monthly remuneration, EUR (before taxes)[1]
Independent chair of the Supervisory Board of the parent company	4,180
Independent member of the Supervisory Board of the parent company	3,140
Civil servant holding the position of a member of the Supervisory Board of the parent company	1,570
Chair of the parent company's Supervisory Board committees and the Audit Committee	2,000
Independent member of the committees of the parent company	1,800

[1] *Monthly remuneration was set on 29 September 2022, during the parent company's General Meeting of Shareholders in accordance with Article 17(1)(d) of the Law on the Civil Service of the Republic of Lithuania (link in Lithuanian) and the Description of the Procedure for the Payment of Remuneration to Members of the Collegial Bodies of State Owned Enterprises and Municipal-Owned Enterprises, as approved by Resolution No 794 of the Government of the Republic of Lithuania of 3 August 2022 (link in Lithuanian). The version of the Remuneration Policy approved on 30 March 2023 sets out the exact amounts of remuneration to be paid under said regulation.*

Remuneration structure

The remuneration principles for the members of the parent company's Supervisory Board, it's committees and the Audit Committee, established on 29 September 2022, are provided in the table above.

Remuneration of the members of the Supervisory Board, its committees and the Audit Committee

In 2021, the term of the former Supervisory Board has ended. As a result, on 26 October 2021, new members of the Supervisory Board were elected by the General Meeting of Shareholders for a four-year term. Further on, new Supervisory Board committees were formed, and the candidates to the Audit Committee were elected by the General Meeting of Shareholders. As a result, we provide the development of the remuneration paid to the current and former members of the Supervisory Board, its committees and the Audit Committee separately. For further details about the election process of collegial bodies as well as information about the members, see section '4 Governance report' of this report.

As described in the overview of the remuneration of collegial bodies of the parent company, on 27 September 2021, the principles of remuneration were changed, including the change from an hourly rate to a monthly salary. The new remuneration approach was applied with the new terms of collegial bodies and it was not applicable to the former members of the Supervisory Board, its committees, and the Audit Committee. The development of the remuneration of the members of the former Supervisory Board and its committees is detailed in the table below.

Ignitis Group headquarters in Vilnius

Development of awarded remuneration for the activities in the parent company's current Supervisory Board, its committees and the Audit Committee, EUR (before taxes)

	2023[6]		2022		2021	
Name (position)	**Supervisory Board**	**Committees[1]**	**Supervisory Board**	**Committees[1]**	**Supervisory Board**	**Committees[1]**
Alfonso Faubel (Chair of the Supervisory Board, Member of the Risk Management and Sustainability Committee	50,160	-	35,940	-	5,645	-
Ana Riva[2] (Member of the Risk Management and Sustainability Committee)	-	16,200	-	-	-	-
Aušra Vičkačkienė[3] (Member of the Supervisory Board, Member of the Nomination and Remuneration Committee)	18,840	-	4,710	-	-[3]	-
Bent Christensen (Member of the Supervisory Board, Member of the Nomination and Remuneration Committee)	37,680	-	27,420	-	4,387	-
Ingrida Muckutė[3] (Member of the Supervisory Board, Member of the Audit Committee)	18,840	-	4,710	-	-[3]	-
Irena Petruškevičienė (Chair of the Audit Committee)	-	24,000	-	24,000	-	6,000
Judith Buss (Member of the Supervisory Board, Member of the Audit Committee)	37,680	-	27,420	-	4,387	-
Marius Pulkauninkas (Member of the Audit Committee)	-	21,600	-	21,600	-	5,400
Lorraine Wrafter (Member of the Supervisory Board, Chair of the Nomination and Remuneration Committee)	37,680	-	27,420	-	4,387	-
Tim Brooks (Member of the Supervisory Board, Chair of the Risk Management and Sustainability Committee)	37,680	-	27,420	-	4,387	-
Saulius Bakas (Member of the Audit Committee)	-	21,600	-	21,600	-	5,400
Šarūnas Rameikis (Member of the Risk Management and Sustainability Committee)	-	-	-	-[4]	-	-[4]
Wolf Willems[5] (Member of the Risk Management and Sustainability Committee)	-	16,200	-	-	-	-
Total remuneration	**238,560**	**99,600**	**155,040**	**67,200**	**23,193**	**16,800**

[1] The remuneration of the members of the parent company's Supervisory Board for participating in the activities of the committees is included in their remuneration for their activities in the Supervisory Board, and they do not receive additional remuneration for the activities in the committees. [2] Ana Riva joined the Risk Management and Sustainability Committee on 1 April 2023, causing comparison discrepancies. [3] Members of the Supervisory Board, its committees or the Audit Committee who were delegated by the Majority Shareholder were not entitled to receive remuneration from the parent company for their activities in the Supervisory Board, its committees, or the Audit Committee. This clause was changed in the General Meeting of Shareholders held on 29 September 2022. [4] Šarūnas Rameikis was elected as a member of the Risk Management and Business Ethics Supervision Committee on 20 April 2018 and his term of office ended on 19 April 2022. Due to the fact that the monthly remuneration approach delineated in the new version of the Remuneration Policy is applicable only to the collegial body members who were elected for a new term, the remuneration of Šarūnas Rameikis remains based on hourly terms and the remuneration awarded to him is reflected in the table below 'Development of awarded remuneration for activities in the parent company's former Supervisory Board, its committees and the Audit Committee'. [5] Wolf Willems joined the Risk Management and Sustainability Committee on 1 April 2023, causing comparison discrepancies. [6] The remuneration of the members of the parent company's Supervisory Board was changed in accordance with the Government of the Republic of Lithuania Resolution No 794 of 3 August 2022, approved the Description of the Procedure for the Payment of Remuneration to Members of Collegial Bodies of State-Owned Enterprises and Municipal-Owned Enterprises, which lays down the procedure for the payment of remuneration to members of a collegial body elected by the general meeting of shareholders of a state-owned company and its subsidiaries which are companies of national security importance. The terms of the valid contracts for the members of the Supervisory Board was changed from 1 October 2022.

Development of awarded remuneration for the activities in the parent company's former Supervisory Board, its committees and the Audit Committee, EUR (before taxes)

	2022		2021		2020		2019	
Name (position)	**Supervisory Board**	**Committees[1]**	**Supervisory Board**	**Committees[1]**	**Supervisory Board**	**Committees[1]**	**Supervisory Board**	**Committees[1]**
Darius Daubaras (Chair of the Supervisory Board, Member of the Risk Management and Business Ethics Supervision Committee)	-	-	14,850	-	22,950	-	16,650	-
Andrius Pranckevičius (Member of the Supervisory Board, Chair of the Risk Management and Business Ethics	-	-	23,881	-	-[4]	-	5,288	-
Daiva Lubinskaitė-Trainauskienė (Member of the Supervisory Board, Chair of the Nomination and Remuneration Committee)	-	-	6,750	-	6,263	-	5,070	-
Judith Buss[2] (Member of the Supervisory Board)	-	-	10,125	-	3,038	-	-	-
Bent Christensen[2] (Member of the Supervisory Board)	-	-	10,725	-	2,625	-	-	-
Aušra Vičkačkienė[3] (Member of the Supervisory Board, Member of the Audit Committee)	-	-	-	-	-	-	-	-
Daiva Kamarauskienė[3] (Member of the Supervisory Board, Member of the Nomination and Remuneration Committee)	-	-	-	-	-	-	-	-
Irena Petruškevičienė (Chair of the Audit Committee)	-	-	-	14,700	-	15,488	-	11,738
Danielius Merkinas (Member of the Audit committee)	-	-	-	10,763	-	11,888	-	10,590
Šarūnas Radavičius (Member of the Audit Committee)	-	-	-	9,787	-	9,750	-	8,258
Ingrida Muckutė[3] (Member of the Audit Committee)	-	-	-	-	-	-	-	-
Lėda Turai – Petrauskienė (Member of the Nomination and Remuneration Committee)	-	-	-	7,650	-	4,125	-	-[4]
Šarūnas Rameikis (Member of the Risk Management and Business Ethics Supervision Committee)	-	750	-	4,950	-	-[4]	-	3,375
Total remuneration	**-**	**750**	**66,331**	**47,850**	**34,876**	**41,251**	**27,008**	**33,961**

[1] The remuneration of the members of the parent company's Supervisory Board for participation in the activities of the committees is included in their remuneration for their activities in the Supervisory Board and they did not receive additional remuneration for their activities in the committees. [2] Elected as members of the Supervisory Board on 12 November 2020. [3] Members of the Supervisory Board, its committees or the Audit Committee who are delegated by the Majority Shareholder did not receive any remuneration from the parent company for their activities in the Supervisory Board. [4] Due to the late submission of the hours worked, the remuneration was paid over the following periods, thus appearing 0 in the respective years.

Further information on contractual terms and remuneration of the members of the parent company's Supervisory Board, its committees, and the Audit Committee

1. Under the regulation of state-owned enterprises in Lithuania, members of the Supervisory Board and its committees may not own shares in the parent company. However, members of the Audit Committee who are not the members of the Supervisory Board may own shares of the parent company. For further details, including the latter, and the details on the trading guidelines for the parent company's managers and persons closely associated with them, see section '4 Governance report' of this report. Also, shares cannot be granted as part of remuneration by the Group.
2. Members of the Supervisory Board, its committees, and the Audit Committee do not receive any remuneration (e.g., board fees or similar) from associated companies in the Group.
3. None of the members of the Supervisory Board, its committees, and the Audit Committee perform consultancy work for the Group.
4. There are no agreements concluded between the parent company and Supervisory Board, its committees, or the Audit Committee that provide for compensation in case of their resignation or dismissal without a reasonable cause or in case of termination of their employment as a result of the change in control of the parent company.
5. No special benefits or payments that are not required by the Labour Code are provided to the members of the Supervisory Board, its committees, and the Audit Committee of the parent company.

Ignitis Group employees

5.5 Additional information on remuneration of the Group employees

The parent company's salary fund in 2023 amounted to EUR 4.1 million (EUR 3.6 million in 2022) and the Group's salary fund in 2023 was EUR 136.7 million (EUR 115.8 million in 2022). Average monthly salaries (FBS and STI) for the period of 2019–2023 are provided in the following tables.

There are no agreements concluded between the parent company, the members of the management and supervisory bodies or employees that provide for compensation in case of their resignation or dismissal without a reasonable cause or in case of termination of their employment as a result of the change in control of the parent company.

Average monthly remuneration and the number of the parent company's employees, EUR (before taxes)

Position category	2023		2022		2021		2020		2019	
	Number of employees	Average salary[1]	Number of employees[2]	Average salary	Number of employees[2]	Average salary	Number of employees	Average salary[3,4]	Number of employees	Average salary[5]
CEO	1	16,812	1	13,872	1	12,549	1	13,011	1	9,725
Top level managers	10	10,815	9	9,789	9	9,431	10	9,783	11	7,342
Middle managers	8	7,012	10	6,091	16	6,044	23	6,413	21	6,320
Experts / Specialists	34	4,042	29	3,853	47	3,750	50	3,778	68	3,833
Workers	-	-	-	-	-	-	-	-	-	-
Total	**53**	**6,097**	**49**	**5,651**	**73**	**5,102**	**84**	**4,281**	**101**	**4,281**

[1] From 18 September 2023, PBM was merged with FBS. [2] Due to the Management Board's decision to keep only the strategic positions in the parent company, other positions were moved to other Group companies, thus reducing the number of employees. [3] To align the STI structure within the Group, a part of the STI (20% out of 40%) was transferred to the FBS, thus increasing the FBS paid for 2020 and decreasing the STI paid for 2019 in 2020. [4] Average salary was recalculated by including STI, thus the data differs compared to the one reported in Annual report 2020. [5] As a result of a tax system reform in Lithuania, gross salaries were recalculated, increasing it by 28.9% in 2019.

Average monthly remuneration and the number of Group employees[1, 2] EUR (before taxes)

Position category	2023		2022		2021		2020		2019[5]	
	Number of employees	Average salary[3]	Number of employees	Average salary	Number of employees	Average salary	Number of employees	Average salary[4]	Number of employees	Average salary[6]
CEO	32	10,121	23	9,462	17	8,300	17	8,990	17	7,262
Top level managers	32	10,273	32	8,650	33	8,030	34	8,274	35	6,713
Middle managers	414	4,782	390	4,338	373	4,020	375	4,038	340	3,323
Experts/Specialists	3,125	2,807	2,949	2,507	2,728	2,247	2,670	2,102	2,560	1,906
Workers	799	2,183	769	1,990	733	1,758	736	1,670	767	1,475
Total	**4,402**	**2,960**	**4,163**	**2,665**	**3,884**	**2,401**	**3,832**	**2,059**	**3,719**	**2,015**

[1] Excluding trainees: 7 in 2021,4 in 2020. [2] The average salary of the employees of the Group companies operating in Poland is calculated using the official EUR/PLN exchange rate on the last day of each month during which the salary was paid. [3] Starting from 18 September 2023, PBM was merged with FBS. [4] To align the STI structure within the Group, a part of the STI (20% out of 40%) was transferred to the FBS, thus increasing the FBS paid for 2020 and decreasing the STI paid for 2019 in 2020. [5] Excluding data of employees from the following Group companies: UAB "EURAKRAS", Ignitis Latvija SIA, Ignitis Polska Sp. z o.o., Pomerania Wind Farm sp. z o. o., Tuuleenergia osaühing, UAB "VVP Investment", Ignitis Eesti OÜ. [6] As a result of a tax system reform in Lithuania, gross salaries were recalculated, increasing it by 28.9% in 2019.

Sustainability report (Corporate social responsibility report)

About the Sustainability report

Ignitis Group's Sustainability report (Corporate social responsibility report) for 2023 (hereinafter – Sustainability report) is an integral part of the Group's consolidated Integrated Annual Report 2023. The information provided in this report covers the period from 1 January to 31 December 2023. The Sustainability report includes the latest information available at the end of the reporting period.

To meet the demands of various stakeholders, the Sustainability report was prepared following the regulatory requirements and recommendations of several frameworks and reporting standards.

The disclosures in the Sustainability report are made on a materiality basis and reflect the Group's progress in implementing the principles of the **United Nations Global Compact (UNGC)** and the Group's contribution to the **United Nations Sustainable Development Goals (SDGs)**.

The Sustainability report is prepared in accordance with the standards of the **Global Reporting Initiative (GRI)**.

The Sustainability report complies with the relevant requirements for social responsibility reports established in the Lithuanian legislation at the end of the reporting period. At the same time, the Group is adapting the Sustainability report to the **Corporate Sustainability Reporting Directive (CSRD)** and its guidelines, which is reflected in this report. Some of the requirements and recommendations of the **European Sustainability Reporting Standards (ESRS)**, developed by the EFRAG, have already been applied to this Sustainability report. However, we understand that we will still need to meet the remaining requirements in the upcoming reports. After the CSRD provisions are transposed into the national law, the Group will report accordingly.

As the CSRD comprehensively addresses relevant aspects of the Task Force on Climate-related Financial Disclosures (TCFD) framework, we will not be reporting under TCFD separately.

The Sustainability report includes the assessment of compliance with the **EU Taxonomy Regulation**.

The information disclosed in the Sustainability report includes information on the parent company and on all companies of the Group. Therefore, the key topics in the Sustainability report cover all the Group companies and do not detail sustainability information for each Group company unless stated otherwise. The Sustainability report should be read in conjunction with the Integrated Annual Report 2023 of the Group and the annual reports of other Group companies. The companies of the Group reference the Sustainability report in their annual reports.

Assurance was not performed for the full Sustainability report yet. However, the Group considers it important to provide some assurance of the indicators and provides limited assurance conclusions for selected material environmental, social and governance (ESG) metrics, including greenhouse gas emissions, health and safety, employee satisfaction, proportion of women in top management, Trust Line reports and EU Taxonomy indicators. The limited assurance reports, including the full list of assured indicators, are provided in section '10.4 Independent limited assurance report on the selected sustainability indicators' of this report. The Group will conduct full assurance of the Sustainability report according to relevant requirements in the future.

The previous sustainability reports, consolidated annual reports and other information on the Group's sustainability management and activities are available in the 'Sustainability' section on the Group's website.

WE SUPPORT
UN GLOBAL COMPACT

SUSTAINABLE DEVELOPMENT GOALS

GRI

EU CSRD

6.1 Sustainability overview

ESG performance

With a purpose to create a 100% green and secure energy ecosystem for current and future generations, the Group is implementing a number of ESG targets. It is important for us to follow the best sustainable practices, maintain and constantly improve our ESG ratings.

ESG highlights and recognitions in 2023

Greener and more efficient energy

We reduced GHG emissions by 1.8% in Scope 1 and by 15.6% in Scope 2 compared to 2022

Our Green Generation secured capacity reached 2.9 GW (1.4 GW more than in 2022)

At the end of 2023, we had installed a total of 193 EV charging stations (376 charging points), which is almost 2 times more than in 2022 (99 in 2022)

We installed 519 thousand units smart meters per year (210.4 thousand units in 2022) to enable more efficient energy consumption and accounting

99.9% of Group's public and 89.9% of commercial procurements were green (94.2% of total completed procurements in 2022)

Safer and more pleasant working environment

We implemented Group-wide health and safety programme 'Is it safe?' All Group employees were engaged in the programme through various activities

Employee TRIR – 0.79 (1.69 for employees in 2022). Contractors TRIR – 0.93 (started tracking in July 2022; applicable only for the full year of 2023)

69% of Group employees completed abuse and harassment prevention training (performed for the first time)

Employee satisfaction (eNPS) remained high – 57.5 in 2023 (61.8 % in 2022)

We maintained Top Employer Lithuania certificate. We received it for the third time (after the reporting period)

Emphasis on equality and todays and future employees

Signed the Women's Empowerment Principles, established by UN Women and UNGC

23.1% women in top management positions (22.6% in 2022). 30.8% of employees in the Group are women (29.7% in 2022)

20.8 hours per employee devoted to training (21.5 hours per employee in 2022)

Awarded 98 scholarships for students in energy-related programs (50 in 2022)

More than 6,000 school children learned about energy (3,500 children in 2022)

Recognitions and awards for sustainability excellence

Maintained the rating of 'AA' (Leader) from MSCI, received 'B-' (Prime) from ISS ESG, and a score of 25.2 (Medium risk) from Sustainalytics

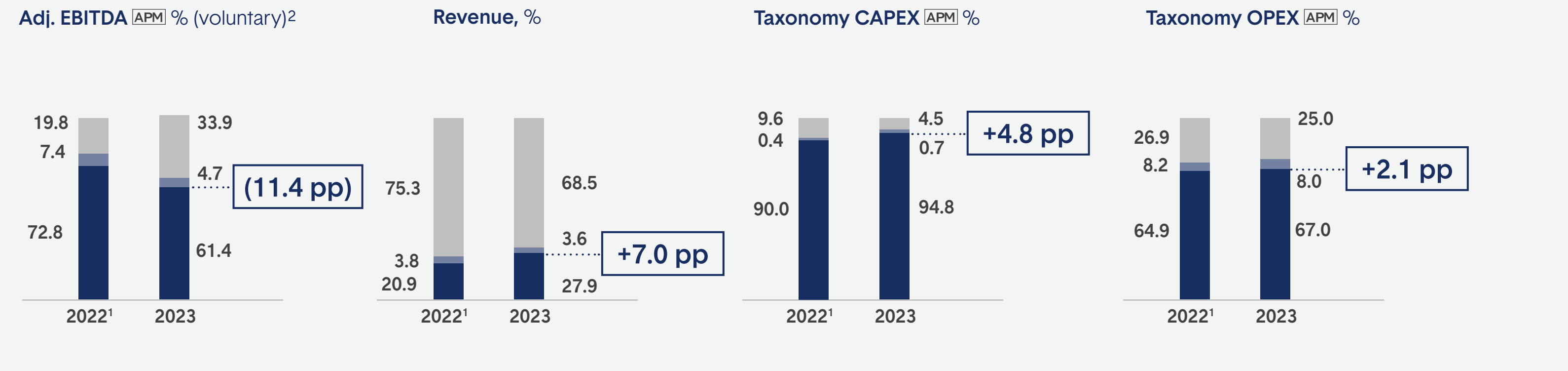
CDP 'B' list for the climate-related disclosures (disclosed 2023)

With a score of 78 (Platinum) Ignitis (Customers & Solutions) falls among the top 1% of all companies assessed by EcoVadis

The highest 'A+' governance score in Lithuania for the fifth consecutive year in the SOEs Good Corporate Governance Index

Received awards for sustainability reporting from ESG Investing and for the best integrated report in the Baltics from Deloitte

Taxonomy Regulation overview



[1] These figures have been restated compared to the previous reporting period. For more information, see section '7.2 Notes on restated figures' of this report.
[2] Adj. EBITDA is disclosed voluntary and calculated based on the methodology determined by the Group as it's not part of the EU Commission Delegated Regulation 2021/2178.

The EU Taxonomy Regulation (EU) 2020/852 (hereinafter – Taxonomy Regulation) establishes a common classification system for sustainable economic activities and provides common language to describe what an environmentally sustainable activity is. The key role of this regulation is to help scale the sustainable investments, provide companies, investors, and policymakers with appropriate definitions for economic activities which can be considered as environmentally sustainable. The Group supports the need to direct investments towards sustainable projects and activities to reach the objectives of the European Green Deal.

Based on the Taxonomy Regulation and associated Delegated Acts, the Group started to report its key performance indicators in 2021. In the Annual report 2021, we disclosed simplified financial information linked to Taxonomy-eligible and non-eligible activities. With the introduction of the requirements to disclose information on Taxonomy-aligned activities, the Group has been disclosing its key performance indicators of these activities, starting with the Annual report 2022.

The Group follows a clear steps-based process in analysing the applicability of Taxonomy Regulation, including:

1. **identifying the Taxonomy-eligible economic activities of the Group.** The Delegated Act on sustainable activities for climate change adaptation and mitigation, the Complementary Climate Delegated Act and Environmental Delegated Act have been carefully analysed and all the activities within the Group's portfolio meeting the activity description have been identified. This process is constantly reviewed to have up-to-date information;
2. **examining the substantial contribution criteria.** All previously identified Taxonomy-eligible activities have been examined whether they meet the technical screening criteria and substantially contribute to one of the six environmental objectives. To verify the compliance with substantial contribution criteria, the existing operational procedures have been reviewed and, if necessary, specific technical criteria have been analysed. Our detailed EU Taxonomy Report discloses the compliance of each activity in greater detail;
3. **examining the principle of doing no significant harm (DNSH) to other environmental objectives.** It includes further assessment of technical screening criteria for Taxonomy-eligible activities. To verify the compliance with the DNSH, the existing environmental procedures, the waste management processes and other relevant procedures have been analysed;
4. **verifying the compliance with minimum social safeguards.** It includes reviewing how the Group and each of its Taxonomy-eligible activities align with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights;
5. **determining the Taxonomy-aligned economic activities of the Group.** While examining the compliance of the Group's activities with the substantial contribution and DNSH criteria, their compliance with minimum social safeguards and alignment with technical screening criteria have also been determined and the final list of Taxonomy-aligned activities of the Group has been prepared;
6. **calculating the financial KPIs.** The financial metrics associated with the economic activities identified in this process have been calculated based on the accounting policies described in section '6.6 Disclosures under the EU Taxonomy Regulation' of this report.

Disclosures under the Taxonomy Regulation of KPIs and additional information is available in section '6.6 Disclosures under the EU Taxonomy Regulation' of this report.

The detailed EU Taxonomy report, explaining the alignment of the Group's activities with the Taxonomy Regulation, is available here.

Our sustainability framework

As we implement our strategy and fulfil our purpose to create a 100% green and secure energy ecosystem for current and future generations, we strengthen our ESG performance and accountability as well.

Group Sustainability Policy establishes the general principles of sustainability applied at the Group and the measures for the implementation of these principles in all companies of the Group. It aims to create a business culture and practice based on corporate responsibility and sustainable development. Among other things, the Sustainability Policy discloses the Group's commitments to follow the UNGC principles, coordinate its strategic goals and activities with the SDGs, participate in the Paris Agreement and fight climate change while adopting good governance practices.

Information on our other policies and sustainability management is available publicly and in this report. Together with the comprehensive information on our sustainability management, we periodically publish sustainability highlights and ESG data in our interim and annual reports. This is to make sure that all our stakeholders get the information they need about the Group's sustainability efforts.

There is a high-level overview of our sustainability management framework provided below, which illustrates how we are improving our ESG performance.

The Group's sustainability management framework

Embedding sustainability / ESG in our governance and processes

We follow the best corporate governance practices and seek to manage our impacts based on the recommendations of international institutions and the scientific community.

Setting measurable sustainability / ESG targets

We follow the UNGC principles and seek to contribute directly to the implementation of the SDG's, and the Paris Agreement. We are committed to reduce our net GHG emissions to zero by 2040–2050 and have our near-term targets validated by the SBTi.

Our purpose is to create a 100% green and secure energy ecosystem for current and future generations.

Progress evaluation and continuous refining

We aim to benchmark our continuous improvement with ESG ratings and certifications provided by the leading global ESG ratings agencies and certification companies and seek to improve our performance.

Strengthening disclosures

We seek to disclose the Group's progress on material topics by using globally recognized frameworks, standards and channels suited to a broad range of stakeholder needs.

Materiality assessment

The Group recognises the importance of aligning its business operations with the expectations of its stakeholders and the broader environmental and social landscape. Using the concept of materiality, we can identify, prioritise and then manage the key topics of sustainability.

Following the new sustainability reporting requirements, the Group is currently conducting a double materiality assessment. This approach aims to see both the extent to which sustainability topics impact the company and the company's impact on these topics. The results of the Group's double materiality assessment will be published in our website and in the Sustainability report for the year 2024.

In this report, we are disclosing sustainability-related information based on our comprehensive impact materiality assessment, which was conducted in 2021. It identifies and prioritises the key sustainability topics that are most relevant and material to the Group's business and its stakeholders. The benefits of performing this assessment when shaping sustainability priorities include the following:

– **the greatest positive impact.** We aim to concentrate our sustainability actions in areas where we can have the most significant positive impact;
– **mutual value for the Group and its external environment.** The value created by sustainability must benefit both the Group and the persons or the organisations that can be impacted by the Group's decisions and, in turn, whose decisions may impact the Group;
– **bolstering stakeholder ties.** Involving stakeholders in developing sustainability actions helps strengthen mutually valuable ties.

Description of the Group's sustainability topics

	Topic	Description
Environmental topics	Climate impact and GHG emissions	Generating electricity from renewable energy sources, reducing emissions of greenhouse gasses (CO_2 and others) in operations
	Impact on soil, water, and air quality	Maintaining the good quality of soil, water, and air, preventing environmental pollution
	Impact on biodiversity and ecosystems	Saving animals, plants, natural ecosystems, flora and fauna
	Using secondary raw materials, reducing waste	Using secondary materials in the activities of the Group and reducing waste from own activities
	Diverting waste from landfills, promoting circular economy	Generating energy from waste not suitable for recycling, promoting circular economy principles
	Sustainable solutions and services for customers	Promoting the growth of prosumer community, expanding the electric vehicle charging station network and other environmentally friendly and energy smart customer solutions
	More sustainable internal energy consumption	Using green energy for the Group's activities, reducing energy consumption within the Group
	Energy efficiency for the public and customers	Saving energy by digitalising the network, encouraging consumers to save energy
Social topics	Health & safety of employees and contractors	Ensuring occupational safety, nurturing the health of employees and contractors
	Competent employees now and in the future	Promoting professional and personal development of employees, fostering competences necessary for the energy sector
	Employee welfare, adequate remuneration, cooperation	Providing appropriate remuneration for employees, increasing employee satisfaction, ensuring freedom of association (unions)
	Local community welfare and relations	Protecting the health of community members and their environment, paying attention to the needs of communities
	Diversity, equal opportunity, human rights	Ensuring equal opportunity, gender equality and promoting diversity at work
	Engagement in social activities	Participating in civic initiatives and NGO activities, encouraging employee volunteering
Governance topics	Ethical business, anti-corruption and transparency	Ensuring the transparent management of the Group and companies of the Group, fighting corruption, ensuring ethical market conduct
	Energy system resilience and security, ensuring uninterrupted operations	Ensuring energy system security and continuous operation, network reliability and resilience to climate and other external factors
	Access to energy	Ensuring that electricity and/or gas is accessible to all consumers, fast and seamless connection of new customers to the grid
	Responsibility and sustainability in the supply chain	Purchasing environmentally friendly goods and services for the Group's needs and encouraging suppliers to contribute to environmental sustainability and social good
	Sustainable financial instruments	Raising funds for sustainable projects, investing in sustainable businesses

Our approach to conducting a materiality assessment

The Group identified four stages of the materiality assessment process, including identifying significant topics, mapping out stakeholders for whom these topics may be significant, prioritising topics and forming strategic goals accordingly. More details on each stage are provided below.

Step 1. Identifying relevant sustainability topics (see table in page 168)

Based on the information obtained from various sources, including employee focus groups, customer surveys, investor questionnaires, media monitoring, and various other document analyses, 19 sustainability topics that may be of relevance to the Group have been identified.

Step 2. Mapping sustainability topics to different stakeholders (see table on the right)

Stakeholder involvement is crucial to ensure that the Group's activities are carried out responsibly and coherently. By including social and environmental issues in our relations with stakeholders, we aim not only to contribute to building a sustainable society and preserving the environment for future generations, but also to encourage others to contribute. In carrying out our activities, we strive to consider the interests of our stakeholders and to make decisions that meet their best interests. The Group identifies the key stakeholders and the expectations of each stakeholder group on our sustainability matters.

The materiality assessment process involved engaging with a wide range of stakeholders. We received almost 3,000 responses from stakeholders, including employees, private and business customers, investors, shareholders, suppliers, contractors, communities and others.

Through in-depth interviews, surveys and workshops, the Group gathered valuable insights into the sustainability issues that are the most important to the Group and its stakeholders. The Group performed the impact assessment and assessed the expectations of stakeholders in respect to 19 different sustainability topics important to the Group and its major subsidiaries.

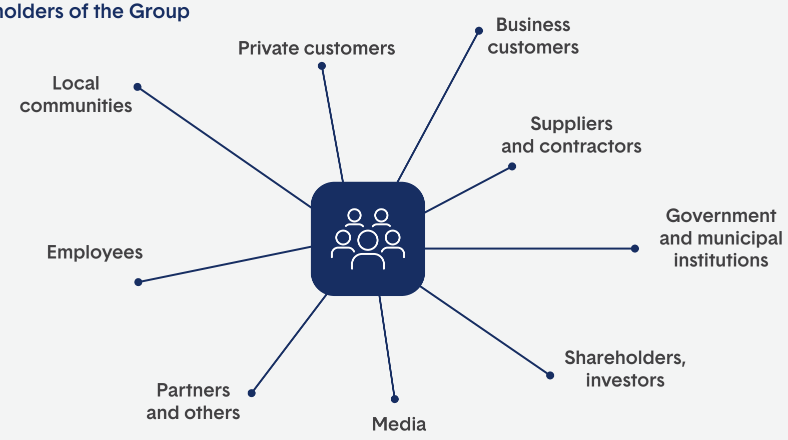
Further information on stakeholder engagement is available on our website.

Step 3. Prioritising material sustainability topics (see table in page 170)

Considering stakeholders' expectations is an important part of shaping sustainability priorities. During strategic sessions, the Group's management discussed how the expressed views can be best embedded into and served by the Group's strategy. The Group's materiality matrix illustrates the outcome of these discussions, i.e., the sustainability topics that are important to the Group, and shows how each topic reflects stakeholder opinions and our strategic priorities. Its vertical axis reflects the views of stakeholders on the significance of different sustainability topics to the Group. The horizontal axis presents the sustainability topics in terms of their relative impact and importance to the Group's key strategic objectives.

The matrix highlights the most relevant topics of a roadmap for reducing our impact on the natural and social environment while creating value for our stakeholders and the Group as a whole. We are continuously revising and strengthening our sustainability goals and their implementation programmes in priority areas.

Key stakeholders of the Group



ESG risks are included in the general risk assessment process

At the time the materiality assessment was conducted, it was guided by the impact materiality approach, meaning that we considered the impact we as a business have on the environment and society. The concept of double materiality requires the Group to identify how sustainability topics may affect the organisation. As stakeholders expect to be able to see the risks that an organisation faces and how it manages them, a responsible risk assessment and transparent disclosure are essential to maintain stakeholder trust.

The risk assessment process for these topics has been conducted by the Group, and the ESG factors are now being fully considered when assessing any risk of the Group. All ESG risks are included in the integral risk management process, including climate change, health and safety, employee-related risks, etc.

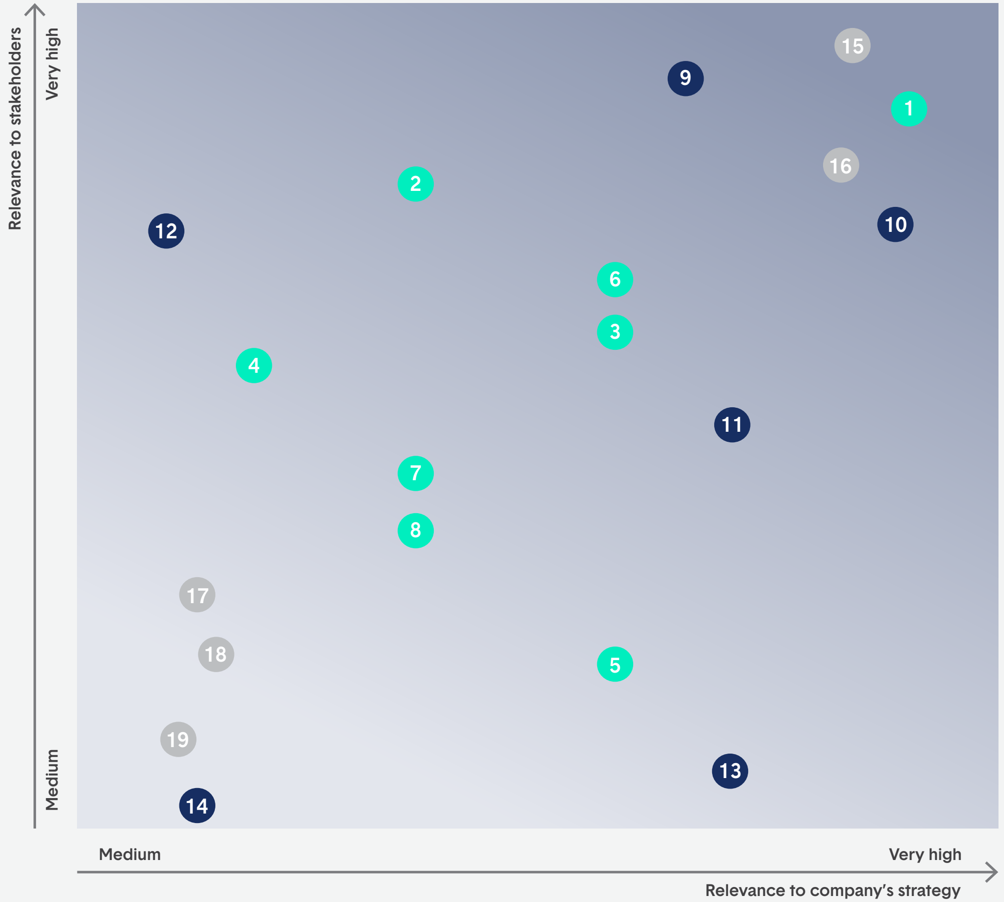
For further details on the Group's risks, including risks, see section '4.7 Risk management' of this report.

Step 4. Setting strategic goals (see table in page 171)

The Group's strategy and sustainability initiatives are aligned with the evaluated material sustainability topics identified during materiality assessment, meaning that the Group demonstrates its commitment to operating in a responsible and sustainable manner. The Group will continue to engage to stakeholders and monitor the materiality landscape to ensure that its sustainability efforts remain relevant and impactful.

More details on the materiality assessment are available on our website.

The Group's materiality matrix



Material topic	Page of the Integrated Annual Report	Corresponding ESRS
Environmental		
1. Climate impact and GHG emissions	179	E1
2. Impact on soil, water and air quality	191, 195	E2, E3
3. Impact on biodiversity and ecosystems	199	E4
4. Using secondary raw materials, reducing waste	205	E5
5. Diverting waste from landfills, promoting circular economy	205	E5
6. Sustainable solutions and services for customers	229	S4
7. More sustainable internal energy consumption	179	E1
8. Energy efficiency for the public and customers	179	E1
Social		
9. Health & safety of employees and contractors	210, 224	S1, S2
10. Competent employees now and in the future	210	S1
11. Employee welfare, adequate remuneration and cooperation	210	S1
12. Local community welfare and relations	226	S3
13. Diversity, equal opportunity and human rights	210	S1
14. Engagement in social activities	226	S3
Governance		
15. Ethical business, anti-corruption and transparency	234	G1
16. Energy system resilience and security	229	S4
17. Access to energy	229	S4
18. Responsibility and sustainability in the supply chain	234	G1
19. Sustainable financial instruments	179	E1

Strategic sustainability priorities and targets

To achieve the goal of creating a 100% green and secure energy ecosystem for current and future generations, clear purpose-driven priorities were set in the Group's strategy. For more information, see section '2.2 Strategy and targets' of this report.

Sustainability is an integral part of the Group's strategy. Therefore, the strategic sustainability priorities with ESG targets that clearly interlink with stakeholder expectations were set in the strategy and are the following: decarbonisation, safety, employee experience, diversity and sustainable value creation.

Information on our progress in 2023 towards strategic ESG KPIs is provided in the table below.

Strategic ESG KPIs of the Group

	Priority	2026 strategic milestones and targets	2023	2022	Δ	SDG contribution
Decarbonisation	Reduction of GHG emissions in accordance with science-based targets	3.9 m t CO_2-eq[1] 27% GHG emissions reduction (vs.2020)[1]	5.01 m t CO_2-eq[1] (5.7% less than in 2020)	4.98 m t CO_2-eq[1] (6.2% less than in 2020)	*2.5%*	
Safety	Zero fatal accidents	0 fatalities of employees & contractors	0	3	*(3)*	
	Total recordable injury rate	Employee TRIR <1.75	0.79	1.69	*(0.9)*	
		Contractors TRIR <3.5	0.93	0.49[2]	*n/a*	
Employee experience	Employee overall experience[3]	≥50% employees promoting the Group as an employer (eNPS)	57.5	61.8%	*(4.3 pp)*	
Diversity	Gender diversity in top management	≥35% share of women in top management positions	23.1%	22.6%	*0.5 pp*	
Sustainable value creation	Sustainable investments	≥85–90% share[4] of CAPEX aligned to the EU Taxonomy (2023–2026)	94.8% (825 EURm)	90.0%[5] (358 EURm)	*4.8 pp*	
	Sustainable returns	≥75% sustainable Adjusted EBITDA share[4]	61.4% (298 EURm)	72.8%[5] (342 EURm)	*(11.4 pp)*	

[1] GHG emissions from Vilnius CHP are not included for a better comparison as it was not included in target base year (2020).
[2] For the period: Jun-Dec 2022.
[3] Experience of employees in areas such as well-being, learning and growth, equal pay, diversity and inclusion, etc.
[4] CAPEX and Adjusted EBITDA from EU Taxonomy-aligned activities.
[5] These figures have been restated compared to the previous reporting period. For more information, see section '7.2 Notes on restated figures' of this report.

Sustainability governance

The Group's sustainability governance structure is largely based on the Group's overall governance framework. The supervisory and management bodies steer sustainability topics within their scope of influence. For detailed information on the Groups' governance, see section '4. Governance report' of this report.

The Group's sustainability governance structure

External oversight	**Supervisory Board**	Sets strategic directions and approves strategic sustainability goals
	Risk Management and Sustainability Committee	Oversees sustainability directions, key ESG topics and risks and content of reporting
	Nomination and Remuneration Committee	Oversees management bodies and remuneration
	Audit Committee	Oversees ESG-data-related processes, monitors external assurance
Management	**Management Board**	Approves sustainability policies, programmes, goals and ensures implementation
Internal oversight	**Sustainable Development Committee**	Supports the Management Board, discusses sustainability-related policies and programmes and proposes solutions for their implementation within the Group
Coordination, implementation	**Group Sustainability function**	Coordinates preparation and implementation of sustainability programmes and reports
Implementation	**Group functions**	
	Business units	
	Other internal committees and working groups	

Sustainability-related responsibilities of the Group's governance bodies

The Supervisory Board sets strategic sustainability direction, approves strategic sustainability goals and oversees the progress.

The Risk Management and Sustainability Committee oversees the strategic directions for sustainability, provides opinion and recommendations on sustainability actions and targets, oversees key ESG topics, focusing on health and safety and climate, supervises compliance with ethical business practices as well as bribery and corruption risk system and makes recommendations to the Supervisory Board. The committee also assesses the state of implementation of the risk measures in these fields, monitors the progress and reviews related disclosures and reports.

The Nomination and Remuneration Committee is responsible for assessing candidates for the management and supervisory bodies and the senior management of the Group companies. It also monitors the compliance of the Group Remuneration Policy of Group companies with international practices and good governance recommendations.

Information on the composition and the work of the Supervisory Board and its committees in 2023, including the competence matrix of the members, is available in section '4.4 Supervisory Board and its committees' of this report.

The Audit Committee oversees the effectiveness of the Group's ESG data disclosure process. Information on the composition and work of the Audit Committee in 2023, including the competence matrix of the members, is available in section '4.5 Audit Committee's report' of this report.

The Management Board makes decisions on formulating, approving and updating the Group's sustainability-related policies, guidelines and activities. It approves sustainability goals for the Group and its subsidiaries, including the GHG reduction targets. The Management Board monitors the Group's key ESG risks (including the climate-related ones) and is ultimately accountable for the long-term stewardship of the Group. The Management Board considers it important to respond to the climate change and other nature-related issues as well as the risks associated with them. The Management Board appoints members of the **Sustainable Development Committee**, which supports the Management Board, discuses sustainability policies and programmes and proposes solutions for their implementation within the Group. The effectiveness of the Management Board in managing the ESG topics is measured based on the achievement of long-term strategic and annual objectives. The remuneration of top-level executives is directly linked to the achievement of pre-set sustainability targets (as part of their variable remuneration). For more information on the Management Board, including the competence matrix of the members, see section '4.6 Management Board' of this report. Information on remuneration is provided in section '5. Remuneration report' of this report.

Sustainability function ensures centralised coordination of sustainability/ESG-related issues at the Group level. The separate function reports directly to the CEO of the parent company. The Sustainability function ensures the implementation of the Sustainability Policy, advises the Group companies and functions on sustainability matters, coordinates the sustainability and consolidates the ESG data of the Group companies. Other functions also play a role in coordinating the sustainability-related matters, depending on their needs and their main functional role.

Sustainability / ESG-related topics covered by collegial bodies of the Group in 2023

Topics covered	Collegial body	Frequency	Comments
Sustainability strategic direction and targets	Management Board, Supervisory Board	5	Discussions and approval of the Strategic Plan 2024–2027
Climate-related issues (GHG emissions, net zero, climate risks, etc.)	Management Board, Supervisory Board, Risk Management and Sustainability Committee	11	Progress towards climate targets
Integrated annual and interim sustainability / ESG reports	Management Board, Supervisory Board, Risk Management and Sustainability Committee, Audit Committee	16	
Health & safety issues	Management Board, Supervisory Board, Risk Management and Sustainability Committee	9	
New and existing sustainability regulatory frameworks	Audit Committee	2	CSRD and Taxonomy Regulation
Other ESG-related topics	Management Board, Supervisory Board, Risk Management and Sustainability Committee, Audit Committee, Nomination and Remuneration Committee	50+	Remuneration, eNPS, governance and etc.

The Group also has the following **internal committees** that are responsible for or discuss sustainability/ESG-related issues:

- Occupational Health & Safety (OHS) Committee (mandatory according to the law for companies with >50 employees; operates in 6 subsidiaries: Ignitis Renewables (Green Generation), Ignitis Gamyba (Reserve Capacities and Green Generation), Vilnius CHP (Green Generation), Ignitis (Customers & Solutions), ESO (Networks), and Ignitis Grupės Paslaugų Centras);
- Emergency Operations Centre (mandatory pursuant to the law; operates in 2 subsidiaries: operates in 2 subsidiaries: ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation));
- Group Executive Committee (the Group).

6.2 Environment

The Group and the environment

In an era of growing environmental concerns and heightened sustainability consciousness, the Group is embracing responsible practices to minimise its environmental footprint and contribute to a more sustainable future. As a leading energy company in the Baltic region, the Group is committed to operating in an environmentally responsible manner, recognising that the well-being of the planet is inextricably linked to our long-term success. For this reason, this section of our Sustainability report delves into our efforts to address material environmental impacts. The structure of this section and the information presented here partly reflects the European Sustainability Reporting Standards (ESRS), a robust framework for assessing and reporting on sustainable business practices.

By recognising that environmental sustainability is not a destination but an ongoing journey of continuous improvement, we are committed to regularly evaluate our environmental performance, set ambitious targets, and implement innovative solutions to further reduce our impact on the environment.

Environmental management in the Group

The Group ensures supervision and monitoring of activities through a three-line environmental management system. The first line includes managers of various levels, environmental and other specialists working in the Group's companies, who ensure compliance with environmental requirements. The second line involves a compliance expert working in the Group Business Resilience function who ensures compliance with the requirements of legal acts, formulates the Environmental Policy of the Group and coordinates the activities of the first line. The third line, i.e., internal audit, carries out a detailed internal audit of all companies of the Group that are certified according to the ISO 14001 standard (ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation), Vilnius CHP (Green Generation), Ignitis (Customers & Solutions), Kaunas CHP (Green Generation)).

Policies and other documents forming the environmental management at the Group

Document / standard	Description
Group Environmental Policy	The most important general provisions and principles of environmental protection applied by the Group, which aim to reduce the impact on the environment, manage risks related to the environment and foster a culture based on the principles of sustainable development in the Group and its environment, are defined in the Group Environmental Policy, which applies to all the Group companies. In implementing our long-term strategy, we focus on the development of renewable energy, decarbonisation of the energy sector, modernisation of the energy system, creating innovative solutions, where respect for the environment and its protection are integrated in all activities, processes, including internal decision-making. The Group's responsible business conduct is based on the principles of UNGC, and its strategic objectives are aligned with UN SDGs.

The Group's environmental management system

Line 1	Line 2	Line 3
Managers of various levels, other specialists **Environmental protection specialists**	**Group Business Resilience function**	**Internal audit**
– Determining responsibilities. – Implementing environmental requirements. – Performing preventive actions. – Organising training. – Setting / implementing goals. – Ensuring compliance. – Monitoring and internal control. – Reporting to governmental institutions. – Representing the company during inspections.	– Making policies. – Identifying and managing Group-level risks, applying planned measures. – Coordinating the activities of environmental protection specialists.	– Assessing the environmental protection management system's compliance with ISO 14001 requirements. – Ensuring the efficiency of lines 1 and 2.
External audit (for certified companies)		

Identifying the most significant impacts and dependencies

The Group's analysis of its impact on biodiversity and dependencies on ecosystem services is prepared based on the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) tool developed by the Natural Capital Finance Alliance and dedicated for businesses and financial institutions to identify risks and take action to manage them in their operations, supply chains and investments. When evaluating, we also considered the specifics of the landscape in which the Group's facilities are situated, the climate zone and other environmental conditions which may depend on the level of exposure or dependence.

Key impacts during an asset's lifecycle

Evaluating initial site[1]

- Evaluating possible risks.
- Checking possible restrictions to make sure that the project will not be planned in sensitive areas.

Planning

- Selecting the site.
- Assessing the environmental impact of the proposed economic activity.
- Selecting materials and technologies.

Construction

- Disturbing habitats.
- Polluting.
- Generating waste.
- Increased traffic.

Operations

- Emissions.
- Altering ecosystems.
- Changing the landscape.
- Degrading environmental components.
- Using resources.
- Generating waste.
- Impacting wildlife and vegetation.
- Probability of pollution incidents.

Decommissioning

- Generating waste.
- Changing the land use and landscape.
- Polluting.
- Increased traffic.
- Disturbing the environment by dismantling unnecessary infrastructure.

[1] *Applicable according to a business segment.*

Dependencies of the Group's activities on the natural environment

In the Group's activities, the highest dependencies can be attributed to the support of ecosystem services for climate regulation (hydropower, wind and solar energy), surface water (for cooling of thermal power plants and electricity production in hydropower facilities), energy production from biomass due to direct dependence on raw materials (biomass), hydrological cycle in the activities of hydropower facilities, protection against the effects of floods and storms in the activities of electricity distribution. The Group's activities encompass a broad geographical scope. Wherever feasible, we assessed the impacts of our activities using the LEAP (i.e., Locate, Evaluate, Assess and Prepare) approach.

The Group's activities, including:

- energy generation using hydropower, wind and solar energy, depend on the climate regulation ecosystem service;
- cooling thermal power plants and electricity generation by hydropower facilities, depend on surface water;
- energy production from biomass, directly depend on fibres and other materials;
- operation of hydropower facilities, depend on the hydrological cycle;
- electricity distribution activities, depend on the protection against the effects of floods and storms.

The information provided here is relevant to the topics covered in section '6.2 Environment' of this report.

Dependencies of the Group's activities on the natural environment

	Water use	Terrestrial ecosystem use	Freshwater ecosystem use	GHG emissions	Non-GHG air pollutants	Water pollutants	Soil pollutants	Solid waste	Disturbances
Solar energy		Very high				Low	Low		Medium
Wind energy		High	Medium			Low	Low		Medium
Biomass energy production	High			High	High	High		High	High
Waste to energy	High			High	High	High		High	High
Thermal power plants	Very high		High	High	High	Medium	Medium	High	High
Hydropower production	Very high	Very high	Very high	Low		Medium	Medium		
Electricity distribution		High		High					Low
Natural gas distribution		High		High					Low
Natural gas and electricity retail								Medium	

● Very high ● High ● Medium ● Low

Engaging with stakeholders

The Group has identified and has been engaging various stakeholder groups. More information on stakeholder engagement can be found in section '6.1 Sustainability overview' of this report.

Environmental aspects in the value chain

The Group's environmental impacts extend far beyond its own operations and encompasses the entire value chain, including its suppliers. While the Group can implement various measures to reduce its environmental footprint itself, working closely with suppliers is crucial to achieve a holistic approach to sustainability. Suppliers play a pivotal role in influencing the environmental impacts. The materials, processes, and practices adopted by suppliers can significantly impact the overall environmental impacts of the supply chain. For instance, the sourcing of raw materials from environmentally responsible sources, the implementation of energy-efficient production methods, and the adoption of waste reduction strategies can significantly minimise the environmental impact of the Group's operations.

Green procurement

The Group considers its strategic objectives in sustainability and complies with European Union and national legislation by imposing environmental criteria on suppliers when awarding the procurement contracts.

Conditions and requirements for the Group's procurements

Condition	Requirement[1]		Example	Relevant to ESRS
I	Environmental protection criteria are established at the national level for eighteen product groups		Set criteria for product groups: furniture, building design services and construction works, building materials, vehicles etc.	E1–E5
II	Type I environmental label requirements apply under the ISO 14024 standard		EU Ecolabel, Nordic Swan Ecolabel, Green Seal, etc.	E1–E5
III	Environmental management systems are applied according to ISO 14001 or an equivalent standard		Applying an environmental management system according to ISO 14001 or an equivalent standard	E1–E5
IV	The organisation independently determines the environmental requirements for the product to be purchased, in accordance with the environmental principles laid down by the law	Packaging	Product packaging from recycled materials or its secondary use, or without packaging	E5
		Warranty	Longer product warranty	E5
		Environmental management systems / measures	Environmental protection management system requirements for the manufacturer / supplier of goods	E1–E5
		Transportation / delivery	Using less-polluting vehicles for the delivery of goods, local suppliers	E5
		Energy efficiency	Determining the product's energy consumption class	E1, E5
		Product features	The amount of chemicals in products	E5
		Waste management	Waste must be handled without violating the environmental require-ments and sorted	E5
		Green energy use	Green electricity certificate 'Green Choice', 'Baltic Green Energy, etc.	E1, E5
V	Purchasing a product or service that is environmentally friendly, or an environmental innovation, or an immaterial service		Training, social, and scientific research, study, and concept development services	E1–E5

[1] The list is not complete and may be expanded with new conditions as necessary.

Green procurement is a procurement by which an organisation acquires products (goods, services, works) that have the least impact on the environment in one, several, or all stages of the life cycle of goods, services, or works. When establishing environmental criteria for a product, a market analysis is carried out, the purchased product is evaluated and the requirements suitable for it are assessed, and at least one condition is applied in accordance with the procedures established by the legislation.

After evaluating the procurement object and the procurement objectives, environmental requirements are determined based on the internal tool.

Supplier Code of Ethics

The Group has an approved Supplier Code of Ethics (SCE), which reflects the Group's commitment towards strengthening sustainable cooperation with the suppliers by promoting legal, professional, and fair business practices that incorporate environmental objectives.

In a procurement contract, the supplier agrees to comply with environmental regulations, reduce negative environmental impact, conserve natural resources, and promote circular economy. The supplier also agrees to integrate energy efficiency, environmental friendliness, and recycling aspects into product design, use environmentally friendly products or materials, reduce waste, use less hazardous chemicals, use renewable energy sources, and participate in environmental protection initiatives.

Grievance mechanism

The Group has established a Trust Line as a grievance mechanism and encourages all stakeholders to confidentially report violations of internal or external environmental legal acts that may have been committed or are being committed by the Group employees or business partners. To further simplify the ways to report violations and engage the Group employees, we created an internal app called 'Nesaugu? Pranešk!' (Not Safe? Report!), which also has a function that allows to report any environmental violations in our facilities or activities.

More information on the Trust Line is available in the section '6.4 Governance' of this report.

Tauragė wind farm, Lithuania

Climate change

Our impact

Materiality assessment

In the last materiality assessment, the following topics related to climate change were identified as being material:

- climate impact and GHG emissions;
- more sustainable internal energy consumption;
- energy efficiency for the public and customers;
- sustainable financial instruments.

For further details on the Group's materiality assessment, see section '6.1 Sustainability overview' of this report.

Policies

We calculate the Group's GHG emissions from the Group's activities in accordance with the GHG Protocol standards. Annual emission accounting is verified by an external auditor. We periodically publish information on the Group's GHG emissions in the Group's reports and strive to ensure that these calculations of emissions are increasingly accurate, and that the disclosure of emissions meets the expectations of all stakeholders. Detailed information about the Group's GHG emissions categories, calculation principles can be found in section '6.5 ESG data' of this report and on the Group's website. We also publish our GHG inventory reports and auditor's verification statements on our website.

Policies and other documents forming climate change management at the Group

Document / standard	Description
Group Environmental Policy	The policy defines the main principles of the Group's environmental protection in terms of climate change: – the Group is committed to reducing the impact of its activities on the environment by following legal and environmental requirements, implementing effective processes and using the best available technologies and practices. It aims to achieve net zero emissions and contribute to climate change solutions; – the Group prioritises energy efficiency and reducing energy demand while improving the reliability and resilience of electricity and natural gas distribution networks. It also develops innovative solutions and services that facilitate efficient and simple energy consumption, offers customer solutions that allow customers to become more environment friendly, develops employee competences and has a responsible approach to their work and environmental protection; – the Group initiates and supports educational projects and awareness campaigns by involving employees, customers, suppliers, local communities, young people and other stakeholders in such projects.
Group Sustainability Policy	The policy defines the general principles of sustainability applied at the Group companies: – the Group is committed to reach net zero emissions in line with the European Green Deal and the Paris Agreement; – the policy encourages rational and sustainable resource management, responsible and efficient energy consumption and participation in initiatives that increase energy efficiency and contribute to Lithuania's energy savings goals.

Mitigation

The Group recognises that the energy sector is critically important when it comes to achieving the climate neutrality in the European Union by 2050. The Group is committed to addressing the climate crisis and transitioning to a low-carbon future. We have set ambitious targets to reduce our greenhouse gas (GHG) emissions by 47% by 2030 from a 2020 baseline and achieve net zero emissions by 2040–2050.

Our key priorities for climate change mitigation across all business segments and emission scopes are the following:

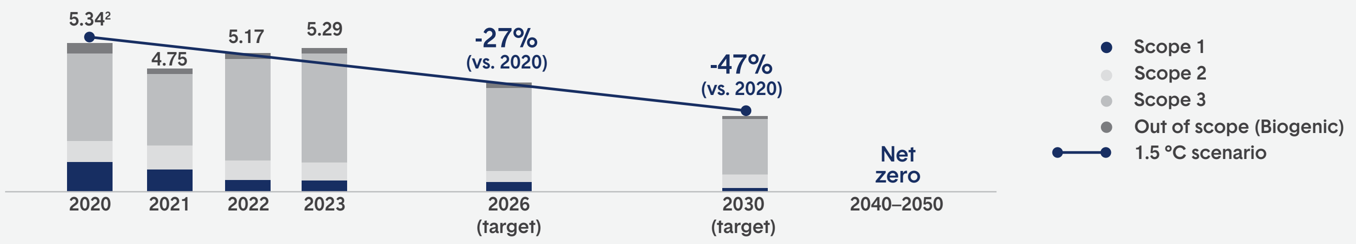
- accelerating the development of renewable energy;
- improving energy efficiency;
- reducing emissions from our existing operations;
- supporting our customers in their energy transition.

Our climate change mitigation initiatives are tailored to the specific emission profiles of our different business segments:

- Green Generation: we are committed to increasing our installed Green Generation capacity to 4–5 GW by 2030. This will significantly reduce our GHG emissions from power generation;
- Networks: we are working to improve the efficiency of our electricity distribution networks, which will reduce energy losses and emissions. We are also investing in new technologies, such as smart grids, to enable demand-side management and reduce peak load;
- Reserve Capacities: in addition to increasing energy generation from renewables, we are optimising and modernising our reserve units to

We aim to cut emissions almost in half by 2030 based on science-based targets

The Group's GHG emissions, millions t CO_2-eq



Status of the Group's emission reduction targets

Target scope	Emissions scope	Unit	2020	2021	2022	2023	2030 target and change in 2030 vs. 2020	Status in change 2023 vs. 2020
GHG emissions intensity from power generation	Scope 1 (stationary combustion) + biogenic emissions	kg CO_2-eq/MWh	237	228	201	228	15 (94%)	(4%)
GHG emissions intensity from power generation and sold electricity	Scope 1 (stationary combustion) + scope 3 (sold electricity)	kg CO_2-eq/MWh	255	232	253	359	27 (90%)	41%
GHG emissions not related to power generation	Scope 1 + scope 2	Million t CO_2-eq	0.59	0.55	0.45	0.41	0.34 (42%)	(30%)
GHG emissions from use of sold products	Scope 3 (use of natural gas sold to end-users)	Million t CO_2-eq	2.08	1.62	1.78	1.17	1.5 (25%)	(44%)

[1] *The target boundary includes biogenic emissions and removals from bioenergy feedstocks.*
[2] *The historical data has been recalculated.*

improve their efficiency and reduce emissions;
- Customer & Solutions: we are offering our customers a range of low-carbon energy products and services and are working with them to develop energy efficiency measures.

Targets

While being aware of the threats posed by climate change and taking a responsible approach to reducing GHG emissions, the Group joined the Business Ambition for 1.5 °C of the United Nations and other international organisations in December 2019 and, thus, committed to achieving net zero emissions by 2050 and setting intermediate emission reduction targets. The Group demonstrates strong ambitions and has updated its net zero emissions targets with the Group's strategy update in 2023. We are now aiming to achieve net zero emissions by 2040–2050.

As for the intermediate targets, in November 2021 the Science-Based Targets initiative (SBTi) approved the Group's ambitious GHG reduction targets. After assessing the targets of the Group, the SBTi confirmed that they are in line with the latest science-based recommendations on actions which should keep global warming below 1.5 °C compared to pre-industrial levels.

According to the SBTi-approved targets, the Group's total absolute GHG emissions in 2030 will have to be about 47% lower than in 2020. Our emission reduction targets cover both direct and indirect GHG emissions from our operations. As described in the GHG protocol for corporate accounting and reporting standards, we are committed to reducing emissions in all three GHG emissions scopes:

- we commit to reduce scope 1 GHG emissions from electricity and heat generation by 94% per MWh by 2030 from a 2020 baseline;
- we commit to reduce scope 1 and 3 GHG emissions from all electricity and heat sold by 90% per MWh by 2030;
- we commit to reduce absolute scope 1 and 2 GHG emissions from all other sources by 42% and reduce absolute scope 3 GHG emissions from use of sold products by 25% by 2030.

The Group's Strategic Plan 2023–2026 includes short-term targets related to climate change among other strategic ESG KPIs. Information on our progress in 2023 towards these KPIs is provided in section '6.1 Sustainability at the Group' of this report.

The target boundary is at least 95% of the scope 1 and scope 2 emissions, and scope 3 targets include at least two thirds of all scope 3 emissions as defined by the SBTi criteria. You can find more information about the Group's emissions and targets in the 'Sustainability' section of the Group's website.

Our transition

The Group's transition plan is a comprehensive approach detailed in our strategy that outlines our purpose to create a 100% green and secure energy ecosystem for current and future generations. We are focusing on these areas:

- **growing green capacities and creating flexible system:** the Group aims to double its installed Green Generation capacity to 4–5 GW by 2030, primarily through investments in offshore wind, onshore hybrid, power-to-X (P2X) & storage technologies. This will significantly reduce the

Transitional strategic priorities for different segments

Green Generation	
Delivering 4–5 GW of installed green and flexible capacities by 2030 with a focus on: – offshore wind – onshore hybrid – P2X & storage	The Group is actively pursuing offshore wind projects. The Group is exploring opportunities in the Baltic Sea, where offshore wind resources are abundant. On the shore the Group focuses on hybrid (wind and solar) technologies as this ensures a higher utilisation of available grid capacities and a more stable generation profile. Generation using hybrid technologies means that the energy sources are diversified, ensuring that green energy is available at most times. The Group is exploring the development of P2X technologies, which convert excess renewable energy into valuable products such as hydrogen and synthetic fuels. We pursue the development of a pilot project, leading to the full commercialization of P2X technologies in the longer term. The Group has integrated pumped-storage hydro into the energy system and is looking to integrate batteries as well, which support the integration of renewables by facilitating the demand management, helping improve the grid reliability and limiting the output curtailment.
Networks	
– Resilient and efficient electricity distribution – Electricity network expansion and energy market facilitation – End-to-end customer experience	We are developing the smart grid infrastructure, which will enable real-time monitoring and management of the electricity distribution system. This will improve efficiency, reliability and resilience of the network. The Group seeks to facilitate the energy market's development. The Group is embracing digitalisation to optimise its operations and enhance customer service. We are developing innovative digital solutions to streamline processes, improve end-to-end customer experience and reduce costs.
Reserve Capacities	
Contributing to the security of the energy system	The Group utilises its reserve capacities to ensure the reliability and security of the power system while continuously improving the efficiency of its equipment.
Customers & Solutions	
– Utilising and further expanding our customer portfolio to enable the Green Generation build-out – Building a leading EV public charging network in the Baltics – Speeding up the transition from gas to electricity	The Group is offering energy efficiency solutions and providing green energy products to its customers, helping them reduce their energy consumption and lower their energy bills. This will contribute to a more sustainable society and economy. We seek to give our customers the option of choosing the energy generated from renewable sources. This will help to support the growth of renewable energy in the Baltic region and Poland.

Group's reliance on fossil fuels and its GHG emissions;

- **utilising the integrated business model:** the Group's integrated business model, encompassing power generation, distribution and retail, plays a crucial role in enabling the transition to a green energy system. The Group leverages its expertise in each segment to optimise the flow of energy and ensure a smooth transition;
- **maximising sustainable value:** the Group is committed to maximising sustainable value by directing its strategic focus towards decarbonisation, OHS, employee experience, diversity and creating sustainable products and services. The Group strives to create a positive impact on the society and the environment while delivering value to its shareholders.

Measures to reduce GHG emissions

As mentioned earlier in the report, the Group is committed to nearly halve its GHG emissions by 2030. To implement its transition, the Group has prepared an internal package of mitigation measures based on different scopes to be implemented within the Group and its companies. The measures are categorised based on their potential implementation period – short-term, medium-term and long-term.

Each company of the Group is updating its measures and following its progress and efficiency every year. On the other hand, the decisions regarding the implementation of a specific measure are made during the strategic planning or by separate decisions of persons and/or collegial bodies authorised to make such decisions when it is necessary and when the complete information essential to make a decision, including the implementation costs, the estimated effect, etc., is made available. It must be noted that some of the measures are considered preliminary and may be implemented to enhance operational efficiency, ensure reliability and, thereby, positively impact the emission reduction goals. New measures may also be added every year.

Main measures to reduce the Group's GHG emissions

			Period		
Emissions scope	**Segment**	**Viable measure**	**Short (2023–2026)**	**Medium (2026–2030)**	**Long (2030–2050)**
Scope 1	Networks	Reducing technological losses in the natural gas distribution network			
	Networks	Automating and installing the metering systems			
	Reserve Capacities	Reducing the electricity production from natural gas			
Scope 2	Green Generation	Green electricity guarantees of origin for Kruonis PSHP in pump mode			
	Green Generation	The installation of the 5th unit in Kruonis PSHP			
	Green Generation	Applying measures to reduce the emissions from Kruonis PSHP's electricity consumption (major overhaul of the energy units, replacing transformer stations, installing a heat pump)			
	Green Generation	Refurbishing the Kaunas HPP generators			
	Networks	Reducing technological losses in the electricity distribution network (analysing 0.4–10 kV network components, using smart metering systems, replacing metering transformer stations, replacing 6–10 kV transformer stations)			
	Reserve Capacities	Modernising the equipment in Elektrėnai Complex for more energy efficient operations			
Scope 3	Customers & Solutions	Promoting green energy and energy efficiency			
	Customers & Solutions	Green electricity guarantees of origin			
	Customers & Solutions	Guarantees of origin of biomethane			

Actions

Reducing our own emissions

In pursuit of its targets, the Group will reduce the emissions from its operations and will endeavour to engage its partners, suppliers and customers in the process. The foreseen emission reduction measures include growing the Green Generation capacity (see '2.3 Investment program' for more information on the Group's sustainable growth plans and the investments in the expansion of Green Generation), increasing the share of green electricity in internal operations and in customer sales, promoting the customer transition from natural gas to electricity, reducing natural gas distribution network losses, optimising the consumption of resources, upgrading the Group's vehicle fleet with electric vehicles, etc.

Actions to reduce the Group's GHG emissions in 2023

Impact	Actions	Results
	GREEN GENERATION	
Expanding the Green Generation portfolio and avoiding GHG emissions.	The Green Generation projects under construction and development and related investment data are discussed in further detail in section '2.3 Investment program' of this Integrated Annual Report.	– Green Generation Secured Capacity increased to 2.9 GW (from 1.6 GW in 2022), which includes 1.3 GW of Installed Capacity (+0.1 GW), 0.9 GW Under Construction (+0.5 GW) and 0.7 GW Awarded / Contracted (+0.7 GW). – In total 1.25 TWh of electricity was generated (net) in the Green Generation segment (+0.01 TWh compared to 2022), out of which 0.83 TWh (29% more than in 2022) was generated from renewable energy sources. – The Green Share of Generation decreased by 1 pp to 85%. – The electricity generated in 2023 allowed us to avoid around 320 thousand t CO_2-eq of GHG emissions, which couldn't have been avoided if it was generated by polluting power plants.
	GREEN GENERATION / NETWORKS: MANAGING SULPHUR HEXAFLUORIDE (SF_6) EMISSIONS	
In Green Generation, used in substations and in the switching cages of the wind farms. In Networks, mostly used in the distribution equipment, substations with gas isolation and gas circuit breakers.	All the equipment containing gas is hermetically sealed. The manufacturer is responsible for its maintenance and ensuring leak prevention. Upon reaching the end of their life cycle, all components of this equipment are returned to the manufacturer for proper handling. We adhere to the established procedures for gas monitoring and data reporting during the operation activities.	In 2023, no SF_6 leaks were detected.

Impact	Actions	Results
	NETWORKS: TECHNOLOGICAL LOSSES IN THE ELECTRICITY DISTRIBUTION NETWORK	
One of the main factors affecting GHG emission levels in Networks is energy losses that occur during electricity distribution activities. They can be categorised into two types: direct losses (in transformer stations, power lines, substations and other network elements) and indirect losses (for example, when there's ice on power lines or consumers declare their electricity consumption data incorrectly).	The total length of our electricity grid is 127,500 km. We actively monitor and strategically address the technological losses in the electricity distribution network since it's one of the main objectives of the Networks segment. Our loss reduction measures include: – utilising smart metering systems with modern, energy-efficient meters for precise loss monitoring and identification; – analysing the 0.4–10 kV network to pinpoint the components causing significant losses and to minimise the unaccounted electricity consumption; – upgrading transformer stations to more modern, energy-efficient models and conducting regular metrological inspections; – replacing outdated 6–10 kV transformer stations with newer, more efficient versions; – modernising the heating and lighting in transformer substations and distribution points (TP/DP) by switching to fluorescent lights or LEDs and updating heating systems with automated solutions; – promoting the Trust Line to residents to confidentially report suspected energy theft, aiding further loss reduction.	– The total volume of electricity distributed in 2023 was 10.14 TWh (10.5 TWh in 2022). The technological losses of distributed electricity were 4.05% (5% in 2022). – GHG emissions from the losses amounted to 82 thousand t CO_2-eq, i.e., 20% of the Group's total Scope 2 emissions. – ESO (Networks) aims to reduce the total electricity distribution technological losses as much as possible and in 2024 undertakes to limit them to 5.11% under all circumstances.
	NETWORKS: TECHNOLOGICAL LOSSES IN THE NATURAL GAS DISTRIBUTION NETWORK (RELEASE OF METHANE (CH_4) INTO THE ATMOSPHERE)	
Technological losses in the gas distribution network include technological and commercial losses (e.g., theft). This section covers only the volume of gas used for technological purposes, which is related to the release of gas into the atmosphere. The composition of natural gas is about 90% methane, which is a greenhouse gas. Therefore, any natural gas spill from the distribution network into the atmosphere directly relates to methane emissions.	The total length of our gas distribution network is 9,600 km. We have implemented several measures to reduce the natural gas spills into the atmosphere: – our methodology for calculating technological losses has been revised. We assessed the dependency of coefficients used to calculate equipment losses on the natural gas network operations, natural gas spills measurements and reconstruction works. This assessment incorporated factual results from pilot projects; – we regularly inspect operational gas pipelines for leaks using specialized natural gas leak detectors. Steel pipelines undergo annual inspections, while polyethylene pipelines are inspected every five years. Leaks detected in the distribution network are immediately addressed; – we employ the PLEXOR system for inspecting equipment that regulates natural gas pressure in pipelines; – during the connection of new distribution pipelines, maintenance (reconstruction) or repairs on existing pipelines, we use a technology that allows us to connect or switch pipelines without reducing the natural gas pressure, thereby minimizing methane emissions; – approximately 99% of our underground steel distribution pipelines are safeguarded against active corrosion. We inspect and repair the protective layer of these pipelines every six years. Additionally, we restore the protective layer on steel distribution pipelines and inlets above the surface to minimize corrosion and reduce the likelihood of natural gas leaks.	– The total volume of gas distributed in 2023 was 6.44 TWh (6.81 TWh in 2022). The technological losses related to the release of gas into the atmosphere were 0.61% (1.22% in 2022). – GHG emissions resulting from the losses were 71.2 thousand t CO_2-eq, i.e., 16% of the Group's total Scope 1 emissions. – We aim to reduce the total natural gas distribution technological losses as much as possible and undertake to limit them to 2.2% under all circumstances.

Impact	Actions	Results
RESERVE CAPACITIES		
Units in Elektrėnai Complex are gas fired. We are looking for measures to reduce GHG emissions from generation.	In 2023, for the first time, Elektrėnai Complex purchased and used biogas (50 MWh). The intention was to test the operation of generation units with this type of gas.	Biogas can help in reducing Scope 1 GHG emissions. 50 MWh of biogas saves about 9 t CO_2-eq compared to burning of natural gas.
CUSTOMERS & SOLUTIONS		
Educating our customers and providing a possibility to choose green energy or alternative solutions to mitigate GHG emissions.	To encourage customers to choose green energy and other solutions to mitigate GHG emissions, we consult them on energy efficiency and emissions reduction issues, offer energy efficiency consultancy, remote solar park, wind farm and other services. We are constantly improving our services to make them more attractive and convenient to customers. We continued the practice of consulting business customers on their emissions, shared information on how to prepare their energy management plan. In response to the volatility of energy prices, we decided to encourage our customers to use energy more efficiently. We helped our customer to acquire a carbon offset certificate to compensate GHG emissions from its natural gas consumption in 2023, however, we do not plan to continue providing this service.	1.7% of independent electricity supply (private) customers chose to consume green energy (7.5% in 2022). Green energy supply has also been chosen by 25.1% of business customers (64.8% in 2022). The share of green energy in total independent electricity supply activities amounted to 17.4% (2.3% in 2022). Decreasing green energy volumes correlate with large energy price fluctuations, which forced both private and business customers to first look for solutions on how to reduce the price, and only then think about the origin of energy.
ALL SEGMENTS: TRANSPORT AND OFFICES		
Encouraging employees of all levels to choose environmentally friendly means of transport.	The Group companies whose combined vehicle fleets comprise 92% of the entire fleet undertake to reduce GHG emissions from polluting fuel consumption by 42% until 2030 (vs 2020). In addition, we have a target to use electric common-purpose vehicles in at least 50% of business travels. Some of the measures taken in 2023 include the following: – in response to an employee survey that highlighted the concerns related to the electric vehicle (EV) range and usage, we conducted training on the proper and safe use of EVs and charging stations; – we've updated our vehicle fleet management app to prioritise EVs for employee bookings up to 150 km. If no EVs are available, the app will reserve the least polluting car; – regular eco-driving and safe driving practical courses are conducted within the Group. – ESO (Networks) has created a tool to monitor transport emissions and eco-driving, generating monthly reports on team vehicle performance, fuel consumption, and emissions. These reports are reviewed for coordinated improvement actions; – aligning with our fleet management policy, we have initiated a Mobility program for managers. This program aims to phase out all company vehicles with internal combustion engines by 2030. Participants can opt for a personal electric or other low-emission vehicle, partially funded by the Group, or utilize services like carsharing, carpool, or taxi, with a monthly budget provided by the Group. Additionally, electric cars have been purchased and assigned to key executives; – Group employees can earn points in the Recognition program by participating in a sustainable travel initiative for commuting. This incentive aims to encourage walking, cycling, or scootering to and from work, promoting physical activity and reducing CO_2 emissions; – we continued projects related to increasing the energy efficiency of offices and renovated 12 premises of Group companies.	– In 2023, 103 Group employees attended practical eco-driving courses, which focus on building driving skills. We estimate that by applying eco-driving principles in practice, carbon emissions could be reduced by 5%. – 49% of the common-purpose vehicles in the Group that can be used by Group employees for work (excluding the Networks segment and other special-purpose vehicles) are EVs. EV vehicles availability indicator (shows popularity of EVs, how many employees choose them for work related trips) in 2023 – 48%. In 2022 this indicator was 46%. – Mobility programme for managers helped in reducing fuel use by 54% and avoiding 177 t CO_2-eq GHG emissions. – 85 employees used the sustainable travel initiative for commuting and in total went to and from work 2750 times. – We consumed 14% less electricity in our offices in 2023 compared to 2022.

Impact	Actions	Results
	ALL SEGMENTS: EDUCATION	
Educating and raising awareness of employees and other stakeholders regarding climate change mitigation goals.	We have carried out various educational initiatives to present the climate issues to various audiences within the Group and to encourage as many employees as possible to engage in the planning of GHG emissions reduction measures, including: – the Climate Clock is running constantly in the main office, the internal website and external websites of the Group, it shows when we will run out of the 'carbon budget'; – we are providing courses on climate change and other sustainability-related topics in our internal education initiative, Grow Academy; – in October 2023, the Group hosted a climate conference 'Accelerating Climate targets: Is Every Job Becoming a Climate Job?'. Read more about the event here; – in September 2023, an internal employee-focused initiative to evaluate their energy consumption flexibility at home was launched at the Group. After a two-month competition, energy consumption scheduling yielded positive results, and the highest achiever in this category was able to shift over 35% of their electricity consumption to night time, when energy is less demanded and cheaper.	– More than 100 colleagues participated in climate change courses in 2023. – Over 560 newcomers participated in the introductory Sustainability training. – More than 80 participants from various Lithuanian companies have attended the event. – During the initiative 'Flexible energy consumption at home – mission possible', employees were encouraged to use electricity flexibly. During the initiative, out of 65 employees, 80% reached positive outcomes.

Sustainable solutions and promoting efficient energy use

The Group's strategy sets a purpose to create a 100% green and secure energy ecosystem for current and future generations. We aim for the energy distribution network to facilitate energy transition, implement smart solutions that meet customers' expectations and ensure the reliability of the network. Our Customers & Solutions segment creates innovative solutions for private and business customers.

Energy efficiency is one of the key measures to reduce/mitigate the impact of climate change and reduce GHG emissions. The Group strongly relies on energy efficiency to reach its GHG emissions reduction targets by applying more sustainable internal energy consumption measures and providing energy efficiency measures for the public and our customers.

The Group companies are successfully implementing energy savings, consumer education and consulting agreements with the Ministry of Energy of the Republic of Lithuania and significantly contribute to Lithuania's energy savings targets. In the period of 2014–2020, Lithuania's target was to save 11.7 TWh of energy, while in the period of 2021–2030, the revised target is to save 39.3 TWh of final energy. We present energy efficiency measures through consumer education and consultation agreements, sharing success stories using a variety of channels and formats, engaging communities, sharing the best practices, conducting research and developing benchmarking solutions, which allows the customers to analyse their consumption patterns in self-service platforms and billing.

More information on the agreements and their objectives is available on the Group's website: energy savings (link in Lithuanian), consumer education (link in Lithuanian).

The Group companies (ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation), Ignitis (Customers & Solutions)) regularly (i.e., every four years) conduct internal audits on energy consumption. The last energy consumption audit took place in 2021. The recommendations presented in its conclusions have been implemented and are contributing to a more efficient internal energy consumption and the Group's goals to reduce GHG emissions.

Actions to promote sustainable solutions and efficient use of energy in 2023

Smart meters roll-out	A mass roll-out of smart meters (Networks) was started in July 2022. In 2023, around 519,000 smart meters were installed (the initial target of the year was exceeded by almost 19,000 units). The first phase of the smart meter roll-out is installing around 1.2 million smart meters for customers with the highest electricity consumption by 2026. At a later phase, customers consuming less than 1,000 kWh of electricity per year will have their meters replaced upon the expiry of their metrological verification period. Residents with smart meters will no longer have to write down meter readings by hand and will be able to access and see their exact electricity consumption online, receive new services from market participants and use energy more efficiently. A representative survey conducted in November 2023 revealed that after installing a smart meter, 1 in 2 customers changed their energy consumption habits at least partially by starting to monitor energy consumption data more closely.
Expanding the Ignitis ON EV charging network	We continue to expand the Ignitis ON EV charging network. Currently, 376 public charging points are available in total, 364 of which are in Lithuania (link in Lithuanian). In 2023, the first 12 public Ignitis ON charging points started operating in Latvia. We intend to expand and become the leading charging operator in Latvia. The electricity supplied to the Ignitis ON network is produced from renewable energy sources.
Remote solar parks and wind farm to rent	In 2023, a total of 7.6 MW of remote solar parks were sold to customers of which around 1.7 thousand B2C customers and more than 40 B2B customers through www.eparkai.lt platform. Ignitis (Customers & Solutions) was the first company in the world that offered to rent a wind farm to consumers. By the end of 2023, more than 150 customers used this service.
Connecting prosumers to the grid	The number of new prosumers connected to the distribution network in 2023 was around 29.6 thousand (18.7 thousand in 2022), driven by improved technologies, increased awareness, growing state support and recent spikes in electricity prices.
Energy efficiency for the public and customers	– While implementing the agreements in accordance with Article 7 of the Republic of Lithuania Law on Increasing Energy Efficiency (related to energy savings), the estimated cumulative effect of implemented energy saving measures by 2030 reached almost 133.3 GWh (target – 107.5 GWh). The results may change after the expected methodological changes suggested by the Group will be implemented. – While implementing the agreements in accordance with Article 8 of the Republic of Lithuania Law on Increasing Energy Efficiency (related to consumer education and consultation), we submitted reports to the Ministry of Energy and the Lithuanian Energy Agency on the implementation of consumer education and consultation measures in 2023. The submitted energy savings after the implementation of consumer education are almost 108.7 GWh (target – 100.7 GWh). – We continued our efforts to improve the digital tools for customers for monitoring their energy consumption. Ignitis (Customers & Solutions) implemented comparative energy analysis solutions in all its channels: self-service platforms, bills and the mobile app, allowing both private and business customers of natural gas and electricity to compare their energy consumption with previous years as well as with similar consumer groups. The system also provides tips on energy efficiency. – Ignitis (Customers & Solutions) is offering consultations on GHG emissions assessment to companies. Companies are invited to enter their electricity, gas, vehicle as well as air travel data. During the consultations, we identify energy efficiency measures and renewable energy sources that would help reduce the emissions. – We are continuously enhancing the Ignitis EnergySmart application, enabling customers to monitor their electricity usage and receive efficiency tips. The app displays the daily consumption's highs and lows, detects unusual spikes and shows a 30-day average to help evaluate usage patterns, allowing for stable bills. As the smart meter installation continues, more customers can access the expanded features of the app. The latest update allows EV owners to charge their vehicles based on energy market prices, thus optimising charging costs and energy use.

Adaptation

The Group's operations are not immune to the effects of climate change. As the Group aims to achieve its strategic targets of Green Generation capacities and reach net zero by 2040–2050, in 2023 it conducted a climate change scenario analysis (CSA). In collaboration with a leading climate consultancy, the Group aimed to check its strategy resilience to climate-related issues and whether all opportunities have been identified.

This assessment involved a broad group of internal stakeholders, covering all business segments, different companies of the Group, and was overseen by the parent company's Management Board. The CSA was organised in the following stages:

Stage 1 – interviews with representatives from different activities were conducted to review the existing climate-related risks, discuss other potential climate-related risks and assess opportunities. The results of this stage were an extensive list of all possible climate-related, both physical and transitional, risks;

Stage 2 – to run the CSA, this extensive list was narrowed down by selecting the main climate-related risks and opportunities that are/could be the most material to the Group. The final list was discussed and approved by the Management Board of the parent company;

Stage 3 – the modelling of the selected risks/opportunities was carried out based on different climate change scenarios;

Stage 4 – the results were evaluated and the future plans were set.

Key concepts of the Group's CSA

Risk and opportunity categories:
- physical risks and opportunities: associated with extreme weather events (acute) and long-term climatic changes (chronic);
- transitional risks and opportunities: associated with transitioning into an economy that limits global warming to 1.5°C above pre-industrial levels. There are five categories of transitional risks: policy, legal, market, technology and reputational risks.

Time horizons that are the most relevant for this analysis have been chosen considering the best international practices:
- medium term – up to the year 2030;
- long term – up to the year 2050.

Climate scenarios are roadmaps that project potential emission pathways, their corresponding global temperature rise, and resulting climate system alterations while considering a range of assumptions pertaining to political, technological, socioeconomic, and physical environmental factors.

The Group's selection of climate scenarios

Physical risks and opportunities	High physical impact (4°C warming) or no mitigation scenario: Shared Socioeconomic Pathway (SSP) 5-8.5 of the 6th Assessment report of the Intergovernmental Panel on Climate Change (IPCC). This scenario represents the most 'unprecedented' or 'worst-case' scenario from a physical climate change perspective, assuming a future with limited mitigation measures, ongoing emissions growth at current rates and a global average temperature increase of 4oC by the end of the century compared to pre-industrial levels. Future risks include: – rising temperatures; – changing rainfall patterns; – increased frequency and intensity of extreme weather. Scope – the assessment covered almost 300 sites, including: – Kaunas HPP; – Kruonis PSHP; – Elektrėnai Complex; – Vilnius CHP; – Kaunas CHP; – solar parks; – wind farms; – individual wind turbines; – hybrid (wind and solar) parks.
Transitional risks and opportunities	Rapid transition (<1.5°C warming) or high-mitigation scenario: Net Zero (NZE) scenario of the International Energy Agency (IEA) was used where available; for some risks and opportunities the analysis also drew on other net zero-aligned sources to complement the findings where additional data was needed. This scenario presents a pathway to effective climate mitigation which sees global energy sector CO_2 emissions reach net zero by 2050, while also taking into consideration other sustainable development goals, such as universal access to energy and air quality improvements. Future risks and opportunities include: – more stringent climate policies and carbon pricing; – technology innovation to support the low carbon transition; – changing consumer market demands. Scope – the assessment was done across all four business segments of the Group: Green Generation, Networks, Reserve Capacities, and Customers & Solutions. During the assessment, all scopes of the Group's emissions were also considered.

Key physical risks and opportunities under the 4°C scenario

The Group's is exposed to several physical risks that might affect its operations. However, extreme temperatures, changing wind patterns and windstorms are considered the most material due to their potential impact on the Group's business and strategy.

Physical risks and potential impacts under the 4°C scenario

Risk	Risk type	Topic	Region	Potential impact	2030	2050
Risk / Opportunity	Acute	Heatwave	Lithuania, Latvia, Estonia, Poland, Finland	Under the 4°C scenario, heatwaves are projected to become more intense and frequent in all the countries the Group is operating in. This could affect the efficiency of solar panels, EV sites and the grid. However, heatwaves can also be an opportunity for the Customers & Solutions segment, which might sell more electricity for cooling.	● ○	● ○
Risk	Chronic	Changing wind patterns	Lithuania, Latvia, Estonia, Poland	Projections on wind patterns show an increased annual variability under the 4°C scenario in all the countries where the Group operates, especially in the long term, which would require greater balancing capacity to deal with the periods of low production.	●	●
Risk	Acute	Windstorms	Lithuania, Latvia, Estonia, Poland, Finland	Under the 4°C scenario, windstorms are projected to increase in frequency and intensity, especially in the long term. This could represent a moderate risk for the Group's wind energy production, depending on whether turbines need to be shut down during especially intense storms. Windstorms could also damage the grid.	●	●

● Risk[1] ● Very low ● Low ● Moderate ● High ● Very high

○ Opportunity ○ Very low ○ Low ○ Moderate ○ High ○ Very high

[1] *Risk refers to the change's level and not an actual impact.*

Key transitional risks and opportunities under the 1.5°C scenario

The transition to net zero brings forth several opportunities for the Group, considering its strategic plan. However, it also holds some risks related to material acquisition and potential carbon prices.

Transitional risks and potential impacts under the 1.5°C scenario

Risk	Risk type	Topic	Region	Potential impact	2030	2050
Opportunity	Technology	Emerging storage technologies	EU	Storage technologies, such as commercial-scale batteries and green hydrogen, are essential to enable the low-carbon transition. In a 1.5°C scenario this would represent a high-to-very-high opportunity for the Group as it would enable the storage and commercialisation of surplus green energy, increasing revenues.	○ High	○ Very high
Risk / Opportunity	Legal / Policy	Carbon prices: Increase in energy cost due to policies on the phase-out of natural gas	EU	Carbon prices are expected to increase by ~1.7x by 2030 and 3x by 2050 under the 1.5°C scenario. This could lead to the Group facing a risk of increasing costs for energy and heat generation. However, the Group's Green Generation Portfolio is predominantly green and still expanding, thus this represents an opportunity through the Group's comparative advantages in renewable electricity production.	● Moderate, ○ Low	● Low, ○ Very low
		Carbon prices: Expansion of carbon pricingregulations and policies to direct operations			● High, ○ High	● Moderate, ○ High
Risk	Market	Increased cost of natural materials	EU	Under the 1.5°C scenario, the demand for key materials, such as aluminium, copper, silicon and steel, is expected to increase significantly in the medium and long term, thus increasing the procurement costs and potentially creating shortages. This would represent a considerable risk for the Group's Green Generation expansion plans.	● Moderate	● Moderate

● Risk[1] ● Very low ● Low ● Moderate ● High ● Very high
○ Opportunity ○ Very low ○ Low ○ Moderate ○ High ○ Very high

[1] *Risk refers to the change's level and not an actual impact.*

Business resilience and next important steps

The evaluation of climate-related opportunities reinforced the validity of the Group's strategic objectives, including the expansion of Green Generation and sustainable solutions for customers. The assessment of the climate-related risks drew upon our existing risk register while including all the risks that were not identified previously. The climate-related risks are already fully integrated into our risk management framework. Following a thorough internal examination of the CSA findings in 2024, the risk register will be updated to incorporate new climate-related risks that will serve as focal points for future assessments. The Group is committed to work continuously while strengthening its understanding of climate-related risks to financially qualify their actual and potential impacts, arising opportunities and the strategies required for mitigation and adaptation of climate-related risks.

Metrics

For detailed information on the Group's climate change metrics, see section '6.5 ESG data' of this report.

Pollution

Our impact

Materiality assessment

In the last materiality assessment, the following topic related to pollution was identified as being material:

– impact on soil, water and air quality.

During the Group's materiality assessment, 'Impact on soil, water and air quality' included all the relevant aspects, including pollution to soil, pollution to water and pollution to air, at the time.

For further details on the Group's materiality assessment see section '6.1 Sustainability overview' of this report.

Our impacts, risks and opportunities

Noting that pollution manifests in various forms, the pollution aspect identified in materiality assessment did not fully cover all sub-topics specified in ESRS E2 standard. To support the materiality assessment's findings and extend the understanding of pollution impacts, in 2022 the Group performed an analysis of its environmental impacts and dependencies. The analysis was conducted using the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) tool. Pollution to air, pollution to water, pollution to soil, substances of concern and substances of very high concern have been considered during the later analysis. The most significant risks and opportunities related to pollution aspects of the Group's activities were assessed using the LEAP approach (Locate, Evaluate, Assess and Prepare).

Primary pollution impacts of the Group

Aspect	Group's facilities / business segment	Impacts
Air pollution (non-GHG emissions)	Elektrėnai Complex (Reserve Capacities), Vilnius CHP and Kaunas CHP (both Green Generation).	– Emissions primarily stem from activities involving the combustion of fossil fuels, biomass or waste.
Water pollution	Elektrėnai Complex (Reserve Capacities), Kruonis PSHP and Kaunas HPP (both Green Generation).	– Combustion processes can release substances that have the potential to contaminate wastewater or surface waters. – There is a possibility of pollution occurring during the cooling phase of thermal power plants. – Hydropower operations can have an impact on water pollution by altering sediment transport and retention patterns, which may also pose a risk of eutrophication.
Soil pollution	Green Generation, Reserve Capacities, Networks.	– Soil contamination can occur because of maintenance or operation activities in solar parks and wind farms as well as energy distribution activities, potentially due to the release of pollutants into the environment. – Materials produced during the combustion processes in power plants have the potential to contaminate various environmental components, including soil.
Substances of concern (SF_6)	ESO (Networks), Kaunas HPP and Kruonis PSHP (both Green Generation) and Ignitis Renewables (Green Generation).	– GHG emissions caused by SF_6 leakage due to equipment failure.

Environmental impact assessment and management framework established by the national law has also allow us to identify possible impacts on the natural environment during all stages of a project's lifecycle. Environmental impact assessments (EIA) and screenings are conducted in accordance with the Republic of Lithuania's Law on Environmental Impact Assessment of the Proposed Economic Activity, which is aligned with the European Union's Directive 2014/52/EU. The EIA process and the interactions between its stakeholders are coordinated before the commencement of any economic activity. After completing the EIA process, the Integrated Pollution Prevention and Control (IPPC) permit or a pollution permit is issued to the facility to guarantee the effective management of its environmental impact. IPPC permits are issued by the Environmental Protection Agency under the Ministry of Environment (EPA). In these permits, all possible types of environmental impacts of economic activities are analysed, and the impacts must be properly managed during operations. The purpose of IPPC is to prevent the release of pollutants into the air, water or soil wherever possible, and where it is impossible to prevent it, minimise the negative impact and achieve a high level of environmental protection.

Policies

Vilnius CHP, Kaunas CHP (both Green Generation) and Combined-cycle gas-fired turbine unit (Reserve Capacities) meet the requirements of the Industrial Emissions Directive 2010/75/EU and the best available technologies (BAT) of large fuel-burning facilities.

The Group's facilities in Green Generation (Vilnius CHP and Kaunas CHP) and Reserve Capacities (Elektrėnai Complex, Vilnius CHP 3) are operated in accordance with the conditions of the issued IPPC permits. The Group's energy generation facilities operating under IPPC permits are closely monitoring their emissions. IPPC permit requirements include:

- reducing the emissions into the environment (air, water, soil) (determining the permitted pollutants released into the environment and their amount), including the application of cleaner technologies and reduction of the use of hazardous substances;
- rational use of natural resources and efficient energy;
- reduction of generated waste, its reuse, responsible management and safe disposal;
- preventing and controlling accidents, ensuring the means to eliminate the consequences of incidents, cleaning up territories after closing the activities;
- controlling the pollution created during generation;
- deploying measures to reduce noise and vibration, odours;
- ensuring compliance with established environmental quality standards;
- environmental monitoring.

Policies and other documents forming pollution management and control at the Group

Document / standard	Description
Group Environmental Policy	The policy defines the Group's main environmental protection principles related to pollution, including: – regular monitoring of the environmental impact of activities, facilities, products and services; – application of the highest international standards and the best available technologies and generation methods in operations; – application of impact reduction measures, responsible maintenance of facilities and their modernisation; – monitoring, control and transparent communication; – implementation and continuous improvement of environmental management systems based on the ISO 14001 standard, etc. In terms of pollution prevention, the Group Environmental Policy aims to prevent pollution by following legal and environmental requirements, reducing the likelihood of accidents and environmental impact and solving environmental issues by applying the best available technologies and practices. The policy also involves regularly analysing the impact of the Group's activities on the environment, assessing risks and implementing measures to reduce negative impacts.
Group Sustainability Policy	The policy defines the following principles related to pollution: – the Group undertakes preventive measures to ensure environmental protection; – the Group undertakes initiatives to increase environmental responsibility where it can exercise influence; – the Group promotes the development and dissemination of environmentally friendly technologies.
ISO 14001 standard	In order to ensure compliance with legal acts and minimise the likelihood of environmental pollution, the Group companies (ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation), Vilnius CHP and Kaunas CHP (both Green Generation), Ignitis (Customers & Solutions) have implemented the ISO 14001 standard, so their activities comply with the requirements of the most important environmental monitoring, management and improvement aspects.

Targets

The Group's activities that require IPPC permits have a target of full environmental compliance established by external audits and cannot diverge from the air emissions values established in the IPCC permits (meaning that the pollution aspect is site-specific and is particularly relevant to the Group's emitting facilities, already operating under the IPPC permits). The EPA sets emissions threshold values in the IPPC permits according to the Rules on Issuing, Amending and Revoking IPPC Permits (link in Lithuanian), which are prepared in order to implement various relevant European directives.

Actions

The Group has already taken important steps to avoid or reduce its impact on air, soil, and water pollution. The operational practices of the Group companies to ensure environmentally friendly operations and reduce the possibility of the occurrence of risks are presented in the table below.

IPPC permits are issued by the EPA and implementation is monitored by the Environmental Protection Department under the Ministry of Environment (EPD). Compliance with IPPC permits is assured at several levels:

- emissions of Vilnius CHP are constantly being monitored via Continuous Emission Monitoring Systems. This real-time monitoring system grants the EPD immediate access to the emissions data, enabling prompt notification and action in case of deviations;
- EPD conducts regular onsite inspections of IPPC-permitted facilities. These inspections serve as a

Impacts, risks, opportunities and actions related to pollution in the Group's facilities

Impacts	Risks	Opportunities	Actions
Air pollution (primarily steam from activities involving the combustion of fossil fuels, biomass or waste).	Transitional risks: – political/legal: increasingly stringent regulation; – financial: investments in new technologies to meet stricter requirements, reduce the probability of pollution incidents and justify the expectations of stakeholders; – reputational: public pressure to act in more environmentally friendly ways. Physical risk: – environmental violations (exceeding emission limits, pollution incidents).	– Increasing the Green Generation capacity, thus reducing the dependence on fossil fuels. – Using new technologies for better emission control. – Replacing the substances and compounds used in the activity with environmentally friendly alternatives. – Good reputation among stakeholders for using the best available generation and emission control techniques.	Vilnius CHP (Green Generation): – monitoring waste incineration emissions; – the last measures of additional monitoring of air pollution, a programme coordinated with the communities and EPA, were carried out in March 2023. Kaunas CHP (Green Generation): – monitoring waste incineration emissions; – additional monitoring of air pollution coordinated with the communities. Elektrėnai Complex (Reserve Capacities): – monitoring the emissions of large fuel-burning facilities.
Water pollution: – combustion processes can release substances that have the potential to contaminate wastewater or surface water; – there is a possibility of pollution during the cooling phase of thermal power plants; – hydropower operations can have an impact on water pollution by altering sediment transport and retention patterns, which may also pose a risk of eutrophication.	Transitional risks: – political/legal: increasingly stringent regulation; – financial: investments in new technologies to meet stricter requirements, reduce the probability of pollution incidents and justify the expectations of stakeholders; – reputational: public pressure to act in more environmentally friendly ways. Physical risk: – environmental violations.		Kruonis PSHP and Kaunas HPP (both Green Generation): – facilities use biodegradable, low-ecotoxicity oil. Vilnius CHP (Green Generation): – monitoring groundwater; – monitoring discharged wastewater; – monitoring surface (rain) wastewater. Kaunas CHP (Green Generation): – monitoring groundwater; – monitoring surface (rain) wastewater. Elektrėnai Complex (Reserve Capacities): – monitoring groundwater; – monitoring discharged wastewater; – monitoring drinking water (groundwater); – quality monitoring of Elektrėnai Lagoon water used for cooling (before it is used for cooling and before it is returned to the environment).

supplementary measure to ensure environmental compliance;
- companies of the Group have implemented the ISO 14001 standard, which plays a pivotal role in maintaining compliance with environmental standards and regulations. This internationally recognised standard serves as a framework for managing environmental responsibilities and minimising the environmental impact of our operations.

Additional steps to ensure mitigation of our impact:
- we carry out pollution monitoring programmes for environmental components (quantity and quality of water used for hydropower and cooling needs, quality of groundwater and surface water, air);
- we modernise generation facilities, thus reducing the threats of pollution incidents.

Metrics

For detailed information on the Group's pollution metrics, see section '6.5 ESG data' of this report.

Impacts, risks, opportunities and actions related to pollution in the Group's facilities (cont.)

Impacts	Risks	Opportunities	Actions
Soil pollution: – soil contamination can occur because of maintenance or operation activities in solar parks and wind farms, energy distribution activities, potentially due to the release of pollutants into the environment; – materials produced during the combustion processes in power plants have the potential to contaminate various environmental components, including soil.	Transitional risks: – political/legal: increasingly stringent regulation; – financial: investments in new technologies to meet stricter requirements, reduce the probability of pollution incidents and justify the expectations of stakeholders; – reputational: public pressure to act in more environmentally friendly ways. Physical risk: – environmental violations (exceeding emission limits, pollution incidents due to equipment failure or leakage).	– Using new technologies for better emission control and ensuring the sealing of devices. – Replacing the substances and compounds used in the activity with environmentally friendly alternatives. – Good reputation among stakeholders for using the best available generation and emission control techniques.	Ignitis Renewables, Vilnius CHP, Kaunas CHP, Kaunas HPP, Kruonis PSHP (all Green Generation), ESO (Networks), Elektrėnai Complex (Reserve Capacities): – monitoring waste incineration emissions; – generation facilities are being modernised, thus reducing the threats of pollution incidents.
GHG emissions caused by SF_6 leakage due to equipment failure.	Transitional risks: – political/legal: increasingly stringent regulation (from 1 January 2026, it is prohibited to use SF_6 gas in new electrical switchgear up to 24 kV); – financial: investments in safe alternatives to SF_6 gas to meet the stricter requirements. Physical risk: – environmental violations (SF_6 leakage due to equipment failure).	– Using new technologies for better emission control and ensuring the sealing of devices. – Replacing the substances and compounds used in the activity with environmentally friendly alternatives.	Ignitis Renewables (Green Generation), Kaunas HPP and Kruonis PSHP (both Green Generation), ESO voltage distribution equipment (Networks): – have implemented ISO 14001 standard, so their activities comply with the requirements of the most important environmental monitoring, management and improvement aspects.

Water and marine resources

Our impact

Materiality assessment

In the last materiality assessment, the following topics related to biodiversity and ecosystems were identified as being material:

- impact on biodiversity and ecosystems;
- impact on soil, water and air quality.

Within the materiality assessment, the impacts on water and marine resources were not recognised as separate aspects but laid under these two identified impacts. All companies of the Group which can potentially cause a negative impact on water-related ecosystems (ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation), Ignitis Renewables, Kaunas CHP and Vilnius CHP (all Green Generation) have identified their impact on biodiversity and ecosystems and impact on soil, water and air quality.

For further details on the Group's materiality assessment, see section '6.1 Sustainability overview' of this report.

Our impacts, risks and opportunities

Based on ENCORE analysis, the Group's activities depend on the maintenance of the following ecosystem services:

- surface water (for cooling thermal power plants and electricity generation by hydropower facilities);
- hydrological cycle in the operation of hydropower facilities.

In our activities, we not only use ecosystem services and depend on them, but also cause impacts on the natural environment.

The Group's operations have a notable effect on water-based ecosystems. Further information on biodiversity and ecosystems is provided further in this section.

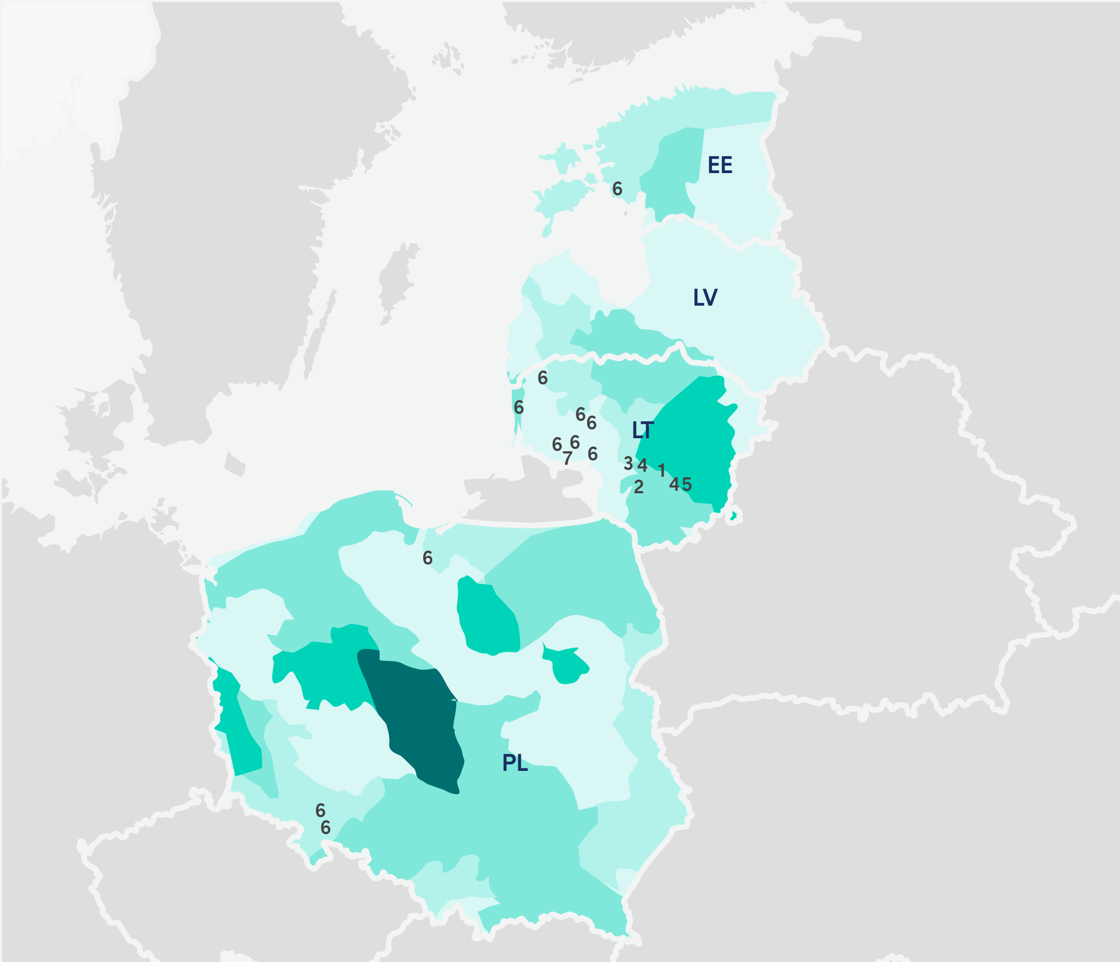
Key impacts of different facilities of the Group

Facilities of the Group	Impact
Elektrėnai Complex (Reserve Capacities) – cooling Vilnius CHP, Kaunas CHP (both Green Generation) – technological processes	Water use (groundwater and surface water used for generation, technological and other purposes).
Kaunas HPP and Kruonis PSHP (both Green Generation)	
Onshore wind farms and solar parks (Green Generation)	Water use (groundwater and surface water used for construction).
Offshore wind farms (Green Generation)	The year 2023 marked the beginning of the preparation for the EIA of the first offshore wind farm project in Lithuania. The assessment of this project's impact on the marine environment and its impact mitigation plan are expected to be prepared by 2026.

Water shortage (stress) zones

To assess the Groups' impact on water stress zones, we used the Water Risk Atlas developed by the Water Resources Institute (WRI). The Group has operational facilities in Lithuania, Estonia and Poland. The Neris sub-basin in the eastern Lithuania is classified as a high water stress zone, however, we are not using the Neris sub-basin for cooling or electricity production. All water bodies related to the Group's activities, which are dependent on freshwater and marine ecosystems are assigned to the Nemunas river basin districts (RBD) – low, medium-high water stress zones. Wind farms in Poland and the wind farm in Estonia are in low-to-medium water stress zones and it is important to mention that wind farms require water only in the construction stage.

Location of the Group's operating and under-construction facilities in relation to the water stress zones



- Low
- Low-medium (10–20%)
- Medium-high (20–40%)
- High (40–80%)
- Extremely high (>80%)

1. Elektrėnai Complex
2. Kruonis PSHP
3. Kaunas HPP
4. WtE (Kaunas CHP, Vilnius CHP)
5. Vilnius CHP 3
6. Wind farms
7. Solar parks

Source: Water Risk Atlas

Policies

The Group adheres to all the relevant legislations in the field of water policy. The Group assesses the state of water bodies every six years (based on the river basin districts (RBDs)) and identifies ways to improve their state. In 2023, the EPA prepared and approved the third management plan for RBDs. All the water bodies related to the Group's activities which are dependent on freshwater and marine ecosystems are assigned to the Nemunas RBDs.

The management plan of the Nemunas RBDs states that the operation of the Kaunas HPP (Green Generation) is very important for the country's energy system, so the complete elimination of its impact is not possible. Due to this and other reasons (hydropower production, recreational value of the lagoon, etc.) Kaunas Lagoon is classified as highly modified water body. This status means that all impacts that arise from economic activities of great importance to the state are met and are aimed at lower goals than in the corresponding natural water bodies, but with the application of possible mitigation measures.

The same procedure applies to the Elektrėnai Lagoon. In the Nemunas RBD management plan, it is also emphasized that the work of Ignitis Gamyba (Kaunas HPP and Kruonis PSHP (both Green Generation), Elektrėnai Complex (Reserve Capacities)) is now adapted to the hydrology of Nemunas, and as a result, aggressive and harmful fluctuations in water levels have significantly decreased over the last 5 years. Considering these circumstances, no significant negative impact of water abstraction on river water bodies was identified.

The management plan of the Nemunas RBD states that most of the water in Lithuania is withdrawn for the purposes of electricity production – as much as 92.9% of the total withdrawn water. Kruonis PSHP (Green Generation) contributes the biggest share as it uses Kaunas Lagoon's water for its operations and returns it back to the environment after use without changing the water's features.

Targets

Water and marine resource quantitative targets have yet to be established at the Group level.

Actions

While understanding the threats posed by climate change (increasing hydrological droughts, intensifying extreme weather events), which can disrupt the operation of our hydropower capacities, we monitor both the use of water and the efficiency of its use, which we strive to constantly improve. Continuous monitoring makes it possible to analyse efficiency indicators, notice deviations in advance and, thus, prepare for possible operational disturbances. The operational practices of the Group companies to ensure environmentally friendly operations and reduce the possibility of the occurrence of risks are presented in the table below.

Metrics

For detailed information on the Group's water and marine resources metrics see section '6.5 ESG data' of this report.

Policies and other documents forming the water and marine resource management at the Group

Document / standard	Description
Group Environmental Policy	The policy defines the main principles of the Group's environmental protection. We are committed to manage water resources rationally and economically.
Group Sustainability Policy	The policy defines the general principles of sustainability to the Group. The Group is committed to undertake initiatives to increase environmental responsibility where it can exercise influence.

Impacts, risks, opportunities and actions related to water and marine resources used by the Group's facilities

Impacts	Risks	Opportunities	Actions
Water use (groundwater and surface water used for generation or other purposes) Water use (groundwater and surface water used for technological process)	Physical risk: – not enough water to generate electricity; – reduced generation due to hydrological droughts; – operational disruptions caused by floods; – insufficient amount of water for cooling needs. Transitional risks: – political / legal: increasingly stringent regulation; – financial: investments in new technologies to meet stricter requirements, reduce the probability of pollution incidents and justify the expectations of stakeholders; – reputational: public pressure to act in more environmentally friendly ways.	– Using new technologies for better control and more effective monitoring. – Replacing the substances and compounds used in activities with environmentally friendly alternatives. – Good reputation among stakeholders when our activities are balanced with the needs of the nature.	Kaunas HP, Kruonis PSHP (both Green Generation): – we ensure that water level fluctuation in the Kaunas Lagoon meets the environmental requirements. The water level measures are updated every hour on the website (link in Lithuanian) of Ignitis Gamyba (Reserve Capacities and Green Generation); – we are increasing the efficiency of water use (for example, during the renovation, Kaunas HPP's (Green Generation) turbines were changed to more efficient ones that use 94% of the flowing water for generation (previously – 91%)) and reducing the impact on ecosystems (research shows that the risks to fish are minimal); – Kaunas HPP (Green Generation) facilities use special biodegradable, low-ecotoxicity oil; – the Group monitors indicators of both water use (water withdrawal, water reuse, water release and consumption) and intensity (intensity of water use in the operation of hydropower facilities, intensity of water use in generation and overall water use efficiency). Elektrėnai Complex (Reserve Capacities): – to ensure that the water quality has not been degraded in the Group's facilities, we are measuring the quality of the water used for cooling the equipment in Elektrėnai Complex (Reserve Capacities), which is released back to the environment after the cooling process; – the IPPC permit for Elektrėnai Complex (Reserve Capacities) obliges us to ensure sufficient water flow in the Strėva river (which flows into the Kaunas Lagoon) by releasing a certain amount of water from the Elektrėnai Lagoon through the sluice. Vilnius CHP, Kaunas CHP (both Green Generation): – water from condensation economizers is reused for technological processes.
Water use (groundwater and surface water used for construction)	Physical: – operating restrictions due to natural disasters (e.g., intense storms); – lack of water for generation processes or facility maintenance. Transitional: – political / legal: increasingly stringent regulation; – financial: investments in new technologies to meet stricter requirements, reduce the probability of pollution incidents and justify the expectations of stakeholders; – reputational: public pressure to act in more environmentally friendly ways.	– Using new technologies for better control and more effective monitoring. – Reducing GHG emissions by expanding the energy production from renewable energy sources. – Creating new jobs. – Replacing the substances and compounds used in activities with environmentally friendly alternatives. – Good reputation among stakeholders when our activities are balanced with the needs of the nature. – Implementing new technologies to reduce water scarcity problems in the region, thus contributing to the well-being of local communities.	Onshore wind farms and solar parks (Green Generation): – we are collecting data on water consumption in ongoing onshore wind farm and solar park projects.

Biodiversity and ecosystems

Our impact

Materiality assessment

In the last materiality assessment, the following topic related to biodiversity and ecosystems was identified as being material:
- impact on biodiversity and ecosystems.

The following companies have identified the activities of the Group which can potentially harm biodiversity and ecosystems as important: ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation), Ignitis Renewables, Kaunas CHP and Vilnius CHP (all Green Generation). In terms of 'Impact on biodiversity and ecosystems', different sub-topics have been identified as important at the Group level, including but not limited to, direct impact drivers of biodiversity loss, impacts on the extent and condition of ecosystems and impacts and dependencies on ecosystem services.

For further details on the Group's materiality assessment, see section '6.1 Sustainability overview' of this report.

Our impacts, risks and opportunities

In addition to the materiality assessment, an analysis based on the ENCORE tool was conducted to specify the Group's impacts and dependencies on biodiversity. During the analysis, unique characteristics of the Group facilities' surroundings, the climate zone and other environmental factors that may vary depending on the level of exposure or dependence were considered and the impact of the Group's activities on the natural environment as well as the Group's dependencies on it were identified.

The Group is developing Lithuania's first offshore wind project in Lithuanian the Baltic Sea. In 2023, the EIA process was launched to assess all the possible impacts on marine ecosystems. It will be conducted in alignment with national and international regulations and the best international practices. Considering the most important risks, the risks of bird disturbance, modification and loss of habitats, underwater noise, seabed disturbance and cumulative impacts may be identified. The Group expects to disclose more information on the project's impacts, risks and opportunities and introduce a mitigation plan in the Sustainability report for the year 2025.

Impacts on biodiversity in various ecosystems

Ecosystem	Impacts
Terrestrial	Wind farms and solar parks (Green Generation): – changing the landscape and land use; – disturbing and fragmenting habitats; – making migration and feeding sites difficult to access for birds and bats; – creating obstacles for animal migration; – increasing mortality of birds and bats, displacement or loss of species; – other impacts.
	Power distribution network (Networks): – habitat disturbance, fragmentation and loss; – increased mortality of birds due to collision with power grids; – tree removal for grid reliability purposes, etc.
	Kaunas HPP, Kruonis PSHP, (both Green Generation): – water level fluctuations that can affect coastal ecosystems.
Freshwater	Kaunas HPP, Kruonis PSHP, Kaunas CHP, Vilnius CHP (all Green Generation), Elektrėnai Complex (Reserve Capacities): – water level fluctuations; – increasing water temperature; – indirect water pollution.

Policies

The Group is supporting other guidelines (UN SDGs, EC action plan 'Towards zero pollution of air, water and soil' and the integrative concept of the planetary boundaries), targets (SBTN) and follows international and national legislation (Directive 92/43/EEC, Directive 2008/56/EC, Marine Strategy Framework Directive, Law on Environmental Protection (link in Lithuanian), National monitoring programme (link in Lithuanian), Habitats Directive).

Targets

We are striving to implement biodiversity and ecosystems related actions which are identified in the EIAs of our assets. In addition, we are aiming to reduce our impacts and set relevant and specific targets.

Actions

The Group has continued to take important steps to avoid or reduce its environmental impacts. The most important steps include the following:

- constantly monitoring water level fluctuations in the Kaunas Lagoon to ensure that the water level fluctuations do not exceed safe ecological limits;
- carrying out periodic ichthyological assessments in the Kaunas Lagoon to assess the impact of the Group's hydropower plants;
- monitoring the effects of wind farms on bird and bats populations;
- carrying out flora and fauna monitoring studies to find out the environmental impacts of solar parks and how those impacts can be reduced and/or compensated;
- the Group's GHG emissions reduction targets have been validated by SBTi.

Metrics

For detailed information on the Group's biodiversity and ecosystems metrics see section '6.5 ESG data' of this report.

Policies and other documents forming biodiversity and ecosystems management at the Group

Document / standard	Description
Group Environmental Policy	The policy defines the principles of the Group's environmental protection. The Group takes responsibility for its impact on the environment and is committed to apply the mitigation hierarchy principle, follow the principle of non-disturbance of protected areas and the integrity of species and habitats of high ecological value, avoid deforestation and conversion of territories of high ecological value, develop biodiversity protection projects, restore the territory where the operations were carried out, follow the principle of free, prior, and informed consent (FPIC) and follow the principle of not trading the species included in the Convention on International Trade in Endangered Species (CITES) while encouraging its suppliers to follow suit.

Impacts, risks, opportunities and actions related to biodiversity and ecosystems near the Group's facilities

Ecosystem	Main biomes (in accordance with TNFD recommendations)	Impacts	Risks	Opportunities	Actions
Terrestrial	– Savannas and grasslands. – Intensive land use systems.	– Changing the landscape and land use. – Disturbing habitats. – Making migration and feeding sites difficult to access for birds and bats. – Increasing mortality of birds and bats. – Other impacts.	Transitional risks: – political/legal: increasingly stringent regulation; – financial: investments in new technologies to meet stricter requirements and higher expectations of stakeholders; – reputational: public opposition to the construction of wind farms. Physical risks: – threat to facilities due to the increasing frequency of extreme weather events; – risk of landslides due to unstable soil.	– Using new technologies for better control and more effective monitoring. – Replacing the substances and compounds used in activities with environmentally friendly alternatives. – Good reputation among stakeholders when our activities are balanced with the needs of the nature. – Reducing GHG emissions.	Wind farms (Green Generation): – Ignitis Renewables (Green Generation) collaborates with ornithologists and conducts bird monitoring to assess whether wind turbines have a significant impact on bird populations. If a significant impact is identified, we implement additional mitigation measures (stopping the wind turbines or reducing the number of operating wind turbines on the main days of bird migration, installing flashing warning lights to scare away the birds at night) and carry out additional monitoring for one year to monitor whether the impact mitigation measures are effective (Mažeikiai WF in Lithuania, Pomerania WF in Poland, Silesia WF II in Poland); – monitoring bats, coordinating the activities of the wind farm with the life cycle of bats (limiting light, avoiding white light, etc.) (Mažeikiai WF in Lithuania, Pomerania WF in Poland, Silesia WF II in Poland); – during the construction phase, we take measures to protect flora and fauna: move protected species to suitable habitats, mark the species or habitats that cannot be moved accordingly, etc.; – the removal of trees and bushes from 1 March 2023 to 30 September 2023 is carried out only after consultation with ornithologists (considering the nesting birds in the vicinity of the wind farm) (Pomerania WF in Poland, Silesia WF II in Poland); – to reduce the visual impact, wind turbines are painted with light shades of matte paint (Mali and Tamba WF in Estonia, Pomerania WF in Poland).
Terrestrial	– Savannas and grasslands. – Intensive land use systems.	– Changing the landscape and land use. – Disturbing and fragmenting habitats. – Creating obstacles for animal migration. – Displacement or loss of species. – Other impacts.	Transitional risks: – political/legal: increasingly stringent regulation; – financial: investments in new technologies to meet stricter requirements and higher expectations of stakeholders; – reputational: public opposition to the construction of solar parks. Physical risks: – threat to the facilities due to the increasing frequency of extreme weather events; – risk of landslides due to unstable soil.	– The possibility of utilising the land for both energy production and agriculture: planting, using as pastures, other opportunities. – Improving the state of biodiversity by planting appropriate vegetation for soil stabilisation and the needs of small fauna (especially pollinators). – Reducing GHG emissions.	Solar parks (Green Generation): – to increase the area's biodiversity, we leave parts of the area for natural local vegetation; – where possible, we install feeding and resting places for birds of prey on the edges of the fences; – we are monitoring vegetation; – we use neutral colours to reduce the visual impact; – we leave passages in a fence for animals so as not to disrupt their migration and so that animals that accidentally enter the territory can leave it (Tauragė solar project in Lithuania).

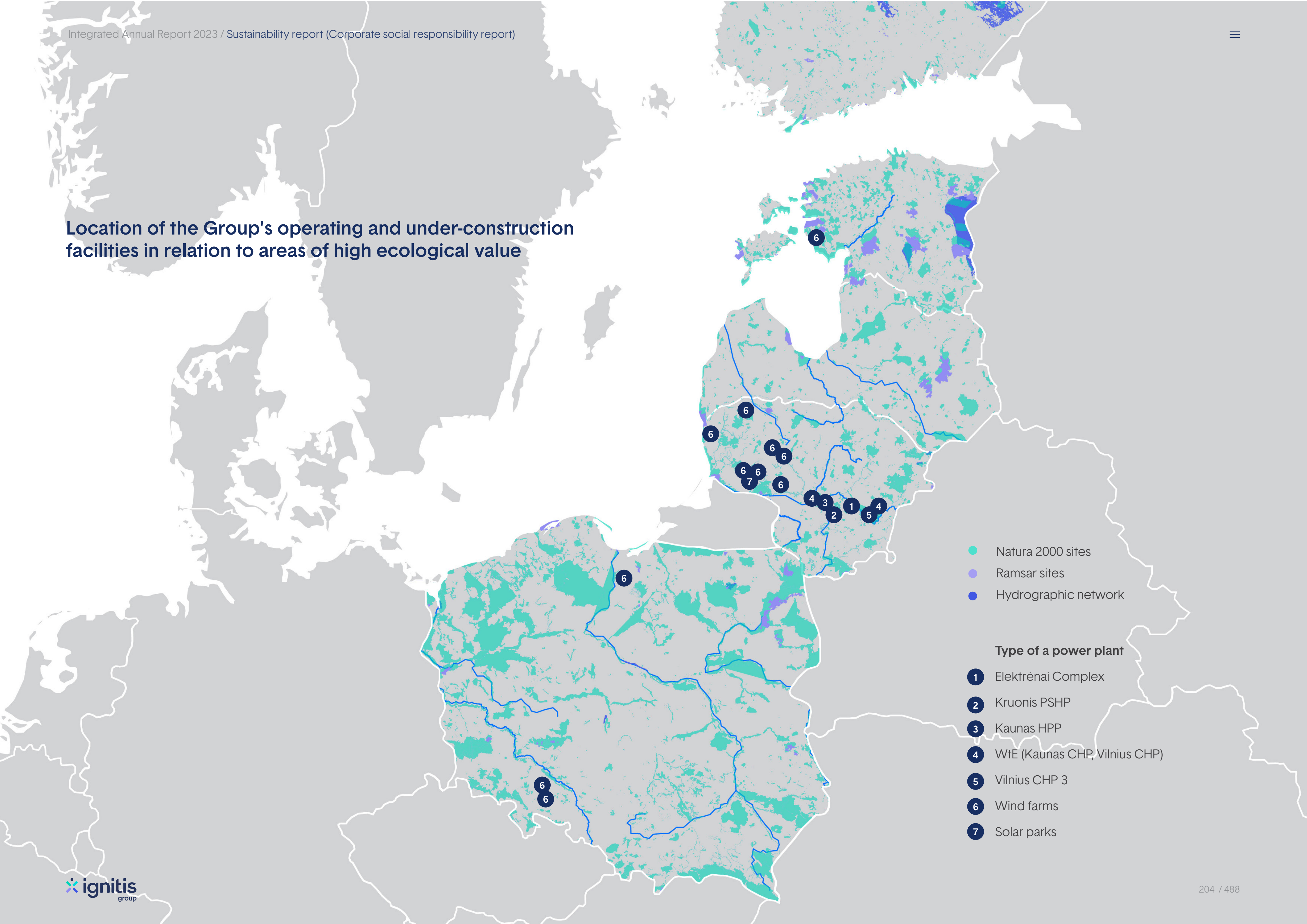
Impacts, risks, opportunities and actions related to biodiversity and ecosystems near the Group's facilities (cont.)

Ecosystem	Main biomes (in accordance with TNFD recommendations)	Impacts	Risks	Opportunities	Actions
Terrestrial	– Temperate boreal forests and woodlands. – Shrublands and shrubby woodlands – Intensive land use systems. – Savannas and grasslands.	– Habitat disturbance, fragmentation, and loss. – Increased mortality of birds due to collision with power grids. – Tree removal for grid reliability purposes, etc.	Transitional risks: – political/legal: increasingly stringent regulation; – financial: investments in new technologies to meet stricter requirements and higher expectations of stakeholders; – reputational: public pressure to act in more environmentally friendly ways. Physical risks: – threat to the facilities due to the increasing frequency of extreme weather events; – risk of landslides due to unstable soil.	– Reducing the impact on the environment by replacing overhead power lines with underground ones.	Electricity distribution network (Networks): – we are investing in increasing the resilience of the network to the effects of climate change (overhead power lines are being replaced with underground ones in the most vulnerable places). This helps to adapt to extreme weather conditions caused by climate change while reducing the impact on the landscape, avoiding the fragmentation or loss of habitats and reducing the number of trees that need to be removed; – we are revising the tree removal procedures in forested areas to reduce the number of trees removed in the protection zones (the strip of land along the overhead power line where the service and maintenance of the power line takes place) and to remove only those that pose the greatest threat; – we are developing a mechanism for compensating the negative impact on the environment caused during the network maintenance; – in cooperation with the Environmental Protection Agency and based on the Act of Protected Species of Animals, Plants and Fungi, we remove and restore or relocate stork nests that pose a threat to the power grid and the general safety when responding to unscheduled emergency power line outages. We endeavour to carry out these works during non-transition periods (e.g., in winter). ESO (Networks) aims to remove and restore all threatened stork nests.
Terrestrial	– Rivers and streams. – Lakes.	– Water level fluctuations that can affect coastal ecosystems.	Transitional risks: – political/legal: increasingly stringent regulation; – financial: investments in new technologies to meet stricter requirements and higher expectations of stakeholders; – reputational: public pressure to act in more environmentally friendly ways. Physical risks: – decreasing slope stability.	– Reducing GHG emissions.	Kaunas HPP, Kruonis PSHP (both Green Generation): – every year from March to July, consultants from scientific institutions monitor the impact of water level fluctuations on water bird populations in the Kaunas Lagoon; – we ensure the control of water level fluctuations in the Kaunas Lagoon that meet the established environmental conditions and make the hourly changes available on the website of Ignitis Gamyba (Reserve Capacities and Green Generation); – we cooperate with scientists who ensure the stability of slopes of water bodies related to the hydropower capacities managed by the Group; – our facilities use biodegradable, low-ecotoxicity oil.

Impacts, risks, opportunities and actions related to biodiversity and ecosystems near the Group's facilities (cont.)

Ecosystem	Main biomes (in accordance with TNFD recommendations)	Impacts	Risks	Opportunities	Actions
Freshwater	– Rivers and streams. – Lakes.	– Water level fluctuations. – Increasing water. temperature. – Indirect water pollution.	Transitional risks: – political/legal: increasingly stringent regulation; – financial: investments in new technologies to meet stricter requirements and higher expectations of stakeholder; – reputational: public opposition to act in more environmentally friendly ways. Physical risks: – reduced generation due to hydrological droughts; – operational disruptions caused by floods; – insufficient amount of water for cooling needs.	– Using new technologies for better control and more effective monitoring. – Replacing the substances and compounds used in activities with environmentally friendly alternatives. – Good reputation among stakeholders when our activities are balanced with the needs of the nature.	Kaunas HPP, Kruonis PSHP (both Green Generation): – every year from March to July, consultants from scientific institutions monitor the impact of water level fluctuations on fish populations in the Kaunas Lagoon; – we ensure the control of water level fluctuations in the Kaunas Lagoon that meet the established environmental conditions and make the hourly changes available on the website of Ignitis Gamyba (Reserve Capacities and Green Generation); – our facilities use biodegradable, low-ecotoxicity oil. Kaunas CHP, Vilnius CHP (both Green Generation): – water from condensation economizers is reused for technological processes. Elektrėnai Complex (Reserve Capacities): – we ensure the control of water level fluctuations in the Elektrėnai Lagoon that meet the established environmental conditions and make the hourly changes available on the website of Ignitis Gamyba (Reserve Capacities and Green Generation); – we carry out water quality tests before it is used for cooling and before it is released back into the lagoon; – by implementing the conditions of the IPPC permit, we ensure sufficient water inflow into the Strėva river through the Elektrėnai Lagoon to protect freshwater ecosystems; – we are monitoring the emissions of our large fuel-burning facilities.

Location of the Group's operating and under-construction facilities in relation to areas of high ecological value



Resource use and circular economy

Our impact

Materiality assessment

In the last materiality assessment, the following topics related to the Group's own workforce were identified as being material:

- diverting waste from landfills, promoting circular economy;
- using secondary raw materials, reducing waste.

For further details on the Group's materiality assessment, see section '6.1 Sustainability overview' of this report.

Impacts, risks and opportunities

The table on the left identifies the most significant impacts in all of the business segments of the Group.

Resource use and circular economy impacts by business segment

Business segment	Impacts
Green Generation	Generating waste when decommissioning solar and wind projects after they reach the end of their lifecycle (after 25–30 years of operation).
	Using resources and generating waste during the construction phase of renewable energy projects.
	Generating waste (fly and bottom ash) in the waste-to-energy (WtE) plants.
Networks	Waste streams from the maintenance and development of overhead power lines, cables and gas pipelines.
Customers & Solutions	Generating waste when decommissioning EV public charging network stations after they reach the end of their lifecycle (after 10 years of operation). Packaging waste from imported materials.
Reserve Capacities	Using natural resources (gas, biomass), other various waste streams generated in our operations.

Targets

The Group is in the process of the development of the resource use and circular economy related targets and aims to reduce the negative impacts of its operations.

Actions

The Group has already started the transition to a circular economy and efficient use of resources. Currently the Group is developing more detailed action plans on how it will transition away from the use of virgin resources and how to increase the use of secondary resources thus enhancing the circularity in its own operations and along the upstream and downstream value chain.

Metrics

For detailed information on the Group's resource use and circular economy metrics, see section '6.5 ESG data' of this report.

Policies and other documents forming the resource use and circular economy management at the Group

Document / standard	Description
Group Environmental Policy	The policy promotes the rational and conservative management of resources, such as energy, fuel, commodities, waste, by-products, etc., the reduction of waste from operations and ensures safe and responsible management of resources by applying pollution prevention principles. The policy also promotes moving towards the global transition to a circular economy by applying its principles in the Group's activities, ensuring that resource efficiency is considered during the designing phase and environmental impacts are reduced based on the lifecycle assessment.
Group Sustainability Policy	The policy includes a commitment to increase the Group's environmental responsibility where it can exercise influence and promotes the development and dissemination of environmentally friendly technologies.
Supplier Code of Ethics	The SCE includes all the mandatory environmental requirements defined in the applicable legislation and the requirements of the environmental management system based on the LST EN ISO 14001 standard or the European Union Eco-Management and Audit Scheme (EMAS), or other equivalent environmental management systems based on European Union or international standards, and the requirements for the supplied products to comply with the Type I eco-label (according to LST EN ISO 14024). The suppliers who follow the SCE must actively seek to conserve natural resources and contribute to the European Union's goals of promoting circular economy, seek to integrate energy efficiency, environmental and recycling principles into their product design, including product packaging management issues, aim to reduce the amount of waste generated by their activities, ensure its safe and responsible management, reuse and recycling and seek to reduce electricity consumption and/or use renewable energy sources to produce, supply and/or use goods.
Waste management guidelines	These guidelines have been approved in each key Group company to ensure sound waste management and utilisation process.

Actions taken regarding the transition to a circular economy and efficient use of resources in 2023

Resource utilisation initiatives	ESO (Networks) reuses resources in its activities. When reconstructing the network, we reuse parts of the old network materials (wires, metals, etc.). Also, the company reuses the materials that arrive with the goods (boxes, pallets). While dismantling the unnecessary buildings of Ignitis Gamyba (Reserve Capacities and Green Generation), we used some concrete demolition waste for levelling the company's roads. If the decommissioned device is suitable for reuse and there is a market demand, we sell it through an open tender for further use.
Fly and bottom ash and slag recycling initiatives	We are exploring the possibilities to use hazardous fly ash from incinerated waste in the production of other products while applying the principles of industrial symbiosis (e.g., recovering useful materials – salts, metals that can be reused in other industrial processes) and, thus, contributing to the development of circularity initiatives. The Group companies are interested in such technologies and are carrying out feasibility studies. We are planning to reuse bottom ash and slag, residue of incinerated waste, in the roadworks as well as in the landfills for paving access roads as an alternative to gravel. In 2023, about 55,740 tonnes of bottom ash and slag were transferred for reusing purposes.
Product as a service	The Group companies offer their customers services that meet the principles of the circular economy and promote its development. Services such as www.eparkai.lt, a platform managed by Ignitis (Customers & Solutions), where customers can rent a part of a wind farm or a solar park, directly promote circularity. This way, the customer only receives the service of the product, but does not become the owner of it. The customer does not need to worry about servicing, repairing or disposing of the product after the end of its lifecycle, and the owner (company) is interested in ensuring the lifespan of the product as long as possible by renewing it and investing in longer-lasting products. Ignitis (Customers & Solutions) also actively promotes the use of electric vehicles (EV) by developing solutions that allow fast and safe charging of EVs. The company is also creating a public EV charging network. This way, the customers can use the service without becoming the owners of the product.
Repair, renewal, auctions	Most of the Group companies try to repair and renew broken items first, rather than buying new ones and throwing away the old ones. IT equipment that is still operational and can be reused but no longer suitable to the Group (becomes outdated and is not compatible with the new systems) is sold at auctions. We hold regular auctions, where mobile phones and other computer equipment is sold to be reused.
Separate collection of food waste in the office for bioenergy production	From July 2022, in the headquarters of the Group (Laisvės Ave. 10, Vilnius), food waste is being collected separately and transferred to the biogas power plant for bioenergy production. The produced energy is sold on the market, and the funds received are donated to charities. In 2023 about 1.02 tonnes of organic kitchen waste were collected and 408 kWh of electricity was produced. In total, about 2.47 t of CO_2-eq was avoided.
Partnerships	The Group encourages its employees to use refurbished second-hand IT equipment for personal needs and has signed a partnership agreement with a second-hand refurbished IT equipment provider. Employees get discounts when they buy such IT equipment.

Impacts, risks, opportunities and actions related to resource use and circular economy in the business segments

Impacts	Risks	Opportunities	Actions
– Generating waste when decommissioning solar and wind projects after they reach the end of their lifecycle (after 25–30 years of operation). – Using resources and generating waste during the construction phase of renewable energy projects. – Generating waste (fly and bottom ash) in the WtE plants.	Transitional risks: – political/legal: increasingly stringent regulation; – reputational: public pressure to act in more environmentally friendly ways. Physical risks: – relatively short lifecycle of solar panels and wind turbines; – new waste streams; – ensuring the required waste inflow amount for the WtE plant operations in the future; – limited capacity for the fly ash utilisation in Norway's Langioja Island.	– Investigating new end-of-life waste streams, decommissioning projects and recycling the end-of-life waste. – Extending the lifecycle of renewable energy projects. Developing the fly ash recycling technologies and further expanding and scaling up the utilisation of bottom ash in the construction sector (roadworks) instead of landfilling.	Green Generation: – preparing the end-of-life position paper to identify actions and possibilities; – preparing to track the generated waste streams and their utilisation methods during our operations (including contractors); – ensuring sound waste management and utilisation process, investigating market innovations and developing feasibility studies.
– Generating waste when decommissioning EV public charging stations after they reach the end of their lifecycle (after 10 years of operation). – Packaging waste from imported materials.	Transitional risks: – political/legal: increasingly stringent regulation. Physical: – handling the new waste streams after EV chargers reach the end of their lifecycle.	– Investigating potential waste streams, decommissioning projects and recycling the end-of-life waste.	Customers & Solutions: – implementing methods to precisely track how waste generated in the company operations, considering their category and quantity, are treated when transferred to waste handlers for final treatment.
– Using natural resources (gas, biomass), generating other various waste streams during operations.	Transitional risks: – political/legal: increasingly stringent regulation. Physical: – treating various amounts of waste (hazardous and non-hazardous), considering their category, generated during operations.	– Exploring further opportunities on how to efficiently use resources, how to use less resources, extract more value and divert waste from landfills. – Replacing fossil fuels and using renewable resources (e.g., hydrogen) during operations.	Reserve Capacities: – ensuring sound waste management and utilisation process, investigating market innovations and developing feasibility studies; – tracking the waste utilisation process. Ensuring recycling of the waste generated during operations.
– Waste streams from maintenance and development of the overhead power lines, cables and gas pipelines.	Transitional risks: – political/legal: increasingly stringent regulation. Physical risks: – disposing of old energy metering devices as they are replaced with smart meters; – managing other waste categories (hazardous and non-hazardous) generated during operations; – ensuring a reliable supply chain of material elements of the network.	– Exploring further opportunities on how to efficiently use resources, how to use less resources, extract more value and divert waste from landfills.	Networks: – ensuring sound waste management and utilisation process, investigating market innovations and developing feasibility studies; – tracking generated waste streams and their utilisation methods during our operations (including contractors).

6.3 Social

Social overview

In this section, we aim to disclose impacts the Group has on it's employees, workers in the value chain, also customers and end-users. In addition, we present the actions the Group is taking to mitigate these impacts. These disclosures are based on the framework of the ESRS standards.

Engaging with stakeholders

The Group has identified and engages with different stakeholder groups regarding various social aspects. More information on stakeholder engagement can be found in section '6.1 Sustainability overview' of this report.

Social aspects in the value chain

The Group's social impact extends far beyond its own operations and encompasses the entire value chain, including its suppliers, contractors and customers. This section will provide more details how different social aspects are identified and managed within the Group including its value chain.

Grievance mechanism

The Group has established a grievance mechanism, a confidential reporting platform, Trust Line, that all internal and external stakeholders can use to report potential or actual violations of our sustainability principles. The Group also has several channels for employees in the value chain to raise their concerns, including the Trust Line and the methods described in procurement contracts.

More information on the Trust Line is available in section '6.4 Governance' of this report.

Strategic priorities set in Strategic plan 2023–2026

Strategic priorities	Strategic KPIs and operational KPI's
Safety at work: – ensuring safe work environment; – implementing safety culture.	– Zero fatal accidents of employees and contractors. – <1.75 & <3.5 TRIR of employees & contractors respectively.
Attracting and retaining top talents: – creating new jobs in renewables market; – increasing the attractiveness of the energy sector; – top employer with international HR standards.	Top Employer certificate.
Building critical skills and competencies: – building current and future leadership bench; – renewables competence hub in the Baltics; – internal career platform for developing critical skills, our competitive advantage.	100% ensured talent pipeline for strategy execution.
Having a human-centric approach: – applying a holistic employee well-being approach; – growing a diverse and inclusive organisation; – largely positive employee experience.	≥35% women in top management positions in 2026. ≥50% eNPS.

Own workforce

Our impact

Materiality assessment

In the last materiality assessment, the following topics related to the Group's own workforce were identified as being material:

- health and safety of employees and contractors;
- competent employees now and in the future;
- employee welfare, adequate remuneration and cooperation;
- diversity, equal opportunity and human rights.

For further details on the Group's materiality assessment, see section '6.1 Sustainability overview'.

Our impacts, risks and opportunities

Regarding its workforce, the Group experiences diverse impacts, contingent on various factors. Pertinently, the health and safety of our employees and contractors encompass occupational health and safety (hereafter – OHS) of our permanent, temporary and contracted personnel (non-employees). Historically, the Group has encountered fatal accidents, underscoring a significant, real impact on employee safety. This necessitates earnest remediation efforts. The sector our companies operate in typically present high OHS risks, obliging us to strive for the safest and healthiest work environments feasible.

Another critical area is ensuring a competent workforce, both currently and in the future. With waning student interest in the energy sector, we anticipate challenges in acquiring the necessary expertise to drive the energy transition. Thus, fostering internal competences is imperative. Furthermore, employee welfare, fair remuneration and collaboration are pivotal in retaining current staff and attracting future talent.

Investing in OHS, current and future workforce development, welfare, fair remuneration while fostering cooperation, diversity, equal opportunity and human rights enables the Group to cultivate a productive, efficient and sustainable workplace. Details on each material aspect, including the actions taken to manage impacts, risks and opportunities, are elaborated upon in the following sections.

Specifically in the energy sector, aspects like diversity, equal opportunity and human rights are of heightened relevance. The Group is committed to promoting a more gender-diverse workforce, enhancing equal opportunities and upholding human rights in our operations and supply chain.

Our employees are a key stakeholder group that has helped identify material aspects and priorities. Based on the latest materiality assessment, the Group has established strategic objectives and targets in our strategic plan. Employees are regularly briefed about our progress in periodic meetings and using other ways of internal communication.

Occupational health and safety

Most of the Group's employees work in the fields of electricity and heat energy production as well as gas and electricity distribution, where they are constantly exposed to potential health hazards. Therefore, the Group pays great attention to ensuring a safe work environment with no threats to health and to implementing a safety culture by promoting employee awareness and responsibility in day-to-day activities. Safety culture is perceived as a part of the organisation's culture with top-level managers involved in creating it.

Risks related to OHS are carefully assessed in all Group companies. The risk of accidents (of employees and contractors) is listed as one of the key risks of the Group. Further details on the risks the Group is facing and their management measures are available in section '4.7 Risk management' of this Integrated Annual Report.

Policies

Our work with OHS is based on the principles of a strong safety culture, application of good practices as well as uniform, transparent data collection and analysis in all Group companies. The safety culture is formed based on the personal responsibility and cooperation of all employees.

The Group applies a 'three-lines' framework for ensuring OHS, which establishes a clear segregation of liability for organisational management and control of OHS and is overseen by the highest governance bodies. This OHS management and control system cover all employees in all companies of the Group.

Top-level managers are responsible for a safe and healthy work environment. Short-term incentives of the managers of the Group companies are partly linked to the results of OHS. In order to ensure competences, all managers of the Group companies are certified by the State Labour Inspectorate.

Compliance with OHS legislation and control is ensured by OHS specialists appointed by the managers of the Group companies, whose most important responsibilities include organising trainings for company employees, controlling the trainings, organising periodic health examinations, assuring internal control, selecting personal protective equipment, investigating incidents, controlling the implementation of corrective actions and consulting on such issues.

The Group maintains an active dialogue with its employees about health care, monitoring, maintaining a safe working environment and improving health and safety conditions at work. We regularly assess workplace safety and health risks. Taking into account the requirements of legal acts and in order to involve employees in forming a safe workplace culture, the Group companies have operating OHS committees, which prepare recommendations and various preventive measures aimed at improving the implementation of OHS principles in the companies. OHS committees are formed in ESO (Networks), Vilnius CHP (Green Generation), Ignitis Gamyba (Reserve Capacities and Green Generation), Ignitis (Customers & Solutions) and Ignitis Grupės Paslaugų Centras.

Policies and other documents forming the OHS management and control system at the Group

Document / standard	Description
Group Occupational Health and Safety Policy	The policy was approved by the Management Board of the parent company and applies to all Group companies and employees. They key provisions of the policy include the following: – regardless of the activities of a Group company, OHS shall be considered a priority; – the Group companies must cooperate with each other and share the best practices; – zero tolerance towards violation of OHS legislation is one of the Group's top goals and an integral part of its safety culture, which is based on awareness and responsibility of employees; – to constantly improve the OHS effectiveness, the Group companies carrying out the core activities must be ISO 45001 certified.
ISO 45001 standard	83% of the Group's employees work in ISO 45001 certified companies or company divisions: ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation), Ignitis Grupės Paslaugų Centras and Ignitis (Customers & Solutions), which is certified in activities related to the provision of services to business (B2B) customers. Ignitis Renewables (Green Generation) plans to become ISO 45001 certified in 2024.
Other internal documents or standards	To ensure comprehensive OHS management, the Group companies have prepared and validated additional internal documents and standards.

Targets

Strategic OHS targets related to the Group's own workforce are set in the Group's Strategic plan for 2023–2026:
- zero fatal accidents of employees;
- total recordable injury rate (TRIR) of employees <1.75.

Actions

In the end of 2022, the Management Board of the Group declared 2023 as the 'Year of Safety'. We focused on strengthening the safety culture, increasing awareness and cooperation both among the Group employees and the contractors in order to ensure that all work is performed safely and that employees return home healthy.

Metrics

For detailed information on the Group's occupational health and safety metrics, see section '6.5 ESG data' of this report.

OHS management and control system at the Group

Supervisory Board

Sets strategic direction and approves strategic OHS targets

Risk Management and Sustainability Committee

- Oversees OHS.
- Provides an opinion and recommendations on OHS actions and targets.
- Assesses the state of implementation of OHS risk management measures.

Management Board

Approves policies, programmes, and ensures implementation

Line 1	Line 2	Line 3
Managers at various levels **OHS specialists of the companies** **OHS Committee of the Group company (if applicable)** – Establish responsibilities. – Establish / implement targets. – Assess and manage risks. – Internal control. – Ensure compliance. – Perform preventive actions. – Organise courses and trainings. – Supervise contractors/subcontractors.	**Group Business Resilience function** – Forms policy. – Identifies and manages risks at the Group level while applying planned measures. – Monitors established goals and indicators established at the Group level.	**Group Internal Audit** – Assesses the OHS management system's compliance with ISO 45001 requirements. – Ensures the effectiveness of lines 1 and 2.

External audit (for certified companies)

Actions taken regarding OHS at the Group

OHS policy and management advancements	In our commitment to OHS, we have appointed dedicated personnel for effective OHS implementation and coordination. We focus on analysing workplace incidents, deriving corrective actions from these analyses. Managers not only engage with employees on OHS topics for improved safety and satisfaction but also commence periodic meetings on OHS issues, emphasising its priority. Furthermore, we have initiated training for new OHS committee members in the companies of the Group and developed interactive OHS manuals, reinforcing our commitment to maintaining a safe and informed workplace.
Focused risk assessment and prevention	We employ a thorough and systematic approach to identify potential hazards in the workplace. This involves evaluating various aspects of the work environment, processes and equipment to ascertain any risks that could lead to accidents or health issues. Our risk assessment process is dynamic and continuously updated to reflect the changes in work practices or in regard to new information. We meticulously record and analyse near misses, injuries and other accidents. This data is crucial for understanding the root causes of incidents and for developing strategies to prevent their recurrence. Our zero tolerance towards intoxication at work policy is a testament of our commitment to maintain a safe and responsible work environment. Additionally, the 'Days without accidents' calendar serves as an effective tool to track our safety progress. It provides a clear and quantifiable measure of our safety performance, encouraging ongoing vigilance and continuous improvement of our safety practices. Our OHS risk management also extends to training and preparedness. We conduct regular pre-emergency training sessions, equip our employees with the necessary skills and knowledge to respond effectively in crises.
Promoting safety awareness and communication	The Group is committed to enhance workplace safety through various initiatives. We conduct regular health examinations for employees and provide vaccinations at the company's expense. The '2023: Occupational Safety Year' campaign and the 'Is it safe?' program, launched in October 2022, were fundamental for promoting safety culture. The 'Is it safe?' section on our intranet serves as a hub for vital health and safety information. We actively involve employees in shaping our safety practices through annual surveys and recognise their contributions in professional mastery contests and internal competitions like the 'Safest ESO team' award. Additionally, our newsletters cover important health and safety topics, ensuring continuous awareness and education.
Employee focused OHS training initiatives	The Group has deployed a robust OHS training for employees, encompassing mandatory sessions on safety practices and protocols. We regularly update our workforce with in-service training and retraining, while tracking their performance using a comprehensive monitoring database. One of our initiatives is a 'Safety Week', which is organised across all regions by ESO (Networks), emphasizing practical safety skills. At Panevėžys Training Centre, we have trained over 620 employees in high-risk work protocols. Additionally, we carry out specialized first aid and healthy posture trainings, along with courses on managing dangerous substances and fire safety, as part of our extensive health and safety education efforts.

Actions taken regarding OHS at the Group (cont.)

Enhancing workplace safety	The Group actively enhances workplace safety by ensuring compliant and secure work environment and conducting regular inspections. We're innovating by testing smart inspection solutions and visual OHS tools, including an IT and AI tool for real-time PPE surveillance tested at Kaunas CHP. Our 'Not safe? Report!' application, designed for immediate reporting of unsafe work environments and violations, fosters a responsive and proactive safety culture. Providing essential protective equipment is a priority, which helps ensure staff safety in various scenarios. Up-to-date educational videos for visitors shown in high-risk areas, like power plants, further our safety commitments. We conduct trainings and campaigns on emergency evacuation, pedestrian and driver safety and adapt our safety measures seasonally.
Incident management and reporting	Accidents and health related incidents are registered and investigated in accordance with the requirements of legal acts and the standard of investigating and reporting accidents and incidents at work of the Group. The incident investigation procedure includes the following: obtaining the explanations of the employee and other colleagues who were present, analysing statements on what caused the incident, drawing conclusions and applying preventive measures. The investigation is then communicated to relevant stakeholders (e.g., employees who may also experience this type of incident, also to management and supervisory bodies). If necessary, employees are provided with additional personal or collective protective equipment. The Group ensures the possibility to anonymously report OHS violations or incidents through the Trust Line and protects the confidentiality of whistle-blowers. Reports are processed in accordance with the procedure established by the Group's internal legal acts.

Competent employees

Targets

Targets related to the Group's ability to attract and retain workforce as well as its competence are set in the Group's Strategic plan 2023–2026:

- Top Employer certificate;
- 100% ensured talent pipeline for strategy execution.

Actions

While facing the challenges of securing competent employees now and in the future, the Group has embarked on a multifaceted strategy revolving around attracting and retaining top talents, building critical skills and competences as well as having a human-centric approach. This comprehensive approach is designed not only to identify and nurture current talent but also to ensure a steady pipeline of skilled professionals ready to meet the evolving demands of our industry. By investing in these key areas, we aim to cultivate a workforce that is both capable and adaptable, ready to drive success in the present while preparing for the challenges of the future.

Metrics

For detailed information on the Group's employee competence metrics, see section '6.5 ESG data' of this report.

Policies and other documents forming the management of employee competence at the Group

Document / standard	Description
Group People and Culture Policy	The policy regulates the human resource management of the Group, including human potential and culture, and help achieve the Group's strategic objectives in a sustainable way. This policy applies to all Group companies and employees. They key provisions of the policy include the following: – the Group focuses on attracting and retaining talents which would align with organisational values; – the Group companies are committed to set targets and plan measures and must ensure the staff necessary for effective implementation of corporate strategies; – continuous improvement of employee experience is our focus; – the Group adopted a flat management structure for speed, flexibility and efficiency, incorporating various team structures for effective decision-making and implementation of changes; – the Group strives to be an attractive employer, promote responsibility, teamwork, innovativeness and constant improvement, while prioritising employee safety, health, social dialogue, equal opportunities and diversity.
Internal processes and standards	Internal processes and standards characterise the development, organisation and administration of trainings at the Group. Additionally, there is a separate standard for occupational health and safety training and knowledge testing.

Actions taken to ensure the competence of the current and future workforce

Trainings	The Group offers a comprehensive range of training programmes, targeting different employee groups. **For top executives, employees working key position and their successors,** we offer the 'Expedition' programme, a four-stage training for top managers, including a 360-degree survey, personalised coaching, a personal development plan and courses from leading business schools. **All managers** can benefit from the 'Strong Leaders League', a dynamic programme emphasizing team leadership and effective communication, and 'The Leaders' Journey', a programme aligned with the organisation's core values and offering quarterly training on key management topics. Our 'Challenges Lab' provides a platform for managers to discuss work challenges and share insights. **High-potential employees** are supported using the 'Growing Leaders League', a three-day programme focusing on key leadership competences. Mandatory trainings for **all employees** ensure skill compliance and effective operation. '#EnergySmart UNI', our internal university, develops crucial competencies for strategic goal achievement. 'Grow Academy' promotes continuous learning, and our language and digital skills trainings enhance essential workplace skills. **Newcomers** are introduced to the organisation through the 'Buddy' programme, 'Newcomer's Start' video presentation and 'Newcomer's Week' alongside the other interactive virtual experiences enabling a comprehensive onboarding experience. Quarterly excursions to key facilities further integrate new employees into our organisation. These tailored programmes collectively contribute to the development and adaptation of our workforce at various career stages. Follow this link to our website to find detailed information on all training programmes.
Performance management	To ensure a robust and effective workforce, our organisation implements several strategic performance management initiatives. '**The Adaptation Plan'** is designed to empower new employees through skills assessment, personalised plans, targeted training and clear tasks. The organisation also offers **performance management tools** for regular discussions between managers and employees about setting and evaluating goals, behaviour, growth and career plans, with these tools reflecting quarterly topics. We identify **high-potential employees** Group-wide for their valuable behaviour, goal achievement and leadership potential and look for mentoring and skill enhancement opportunities. Identifying key positions and **planning their succession** are crucial for ensuring operational continuity and alignment with the Group's strategy. This process involves annually reviewing and updating the list of key positions based on job nature, level, contribution, unique competence and replacement difficulty. It includes diverse roles across business support, finance, production, regulatory and commercial and service areas as well as positions at different levels and business segments (members of the Group Management Board, managers of strategic companies, top-level managers and some other positions). The potential replacement of managers of strategic companies and members of the Management Board was discussed with the members of the Supervisory Board. The organisation has identified potential replacements with established competence development and mentoring plans for seamless transition and continuity in key positions.

Actions taken to ensure the competence of the current and future workforce (cont.)

Talent attraction, upskilling, reskilling and retention	**#EnergySmartSTART** The Group is addressing several challenges in the energy sector, including the low number of students enrolling in electrical and energy engineering studies and the aging workforce of engineers. Additionally, there is a lack of awareness among students, the youth and the broader society about the energy sector's career prospects. To combat these issues, the Group continues developing the #EnergySmartSTART programme. This initiative aims to engage young people in the energy field through activities at energy sites and vocational guidance in schools, increasing student employment in engineering positions during their studies and enhancing the sector's perception as a viable career path. Our actions include popularising the energy sector among students through school trips and lectures, offering scholarships for electrical and energy engineering students and fostering partnerships with higher education institutions. The Group integrates energy efficiency lessons into formal education and conducts educational classes at the Energy and Technology Museum in Vilnius. We also focus on continuous dialogue with engineering students, assisting high school graduates in preparation for their state exams and launching robust advertising campaigns, social media communication and participating in events to increase the sector's visibility and appeal. The Group plans to provide paid internships and job opportunities at later periods. Follow this link to our website to find detailed information on the #EnergySmartSTART programme and its results. **'Future Energy Talent Lab' programme** This programme aims to establish a comprehensive strategy for identifying, recruiting and educating top talent within the Group, including the students and individuals seeking reskilling or upskilling. It targets the growing needs of Ignitis Renewables (Green Generation), particularly in onshore and offshore roles and future power-to-x (P2X) roles. The initiative seeks to bridge the gaps in competence, enhance employee skills and prepare individuals for various roles in the renewable energy sector. The programme primarily focuses on upskilling and reskilling internal talents in the electrical engineering field to meet the renewables segment's expanding needs. **Employer branding** Across all home markets the Group positions itself as a team of value-driven, diverse individuals working in an empowering culture, united by a common purpose to create a 100% green and secure energy ecosystem for current and future generations. The Group's employee branding strategy encompasses initiatives for future employees, potential employees and current employees. By targeting scholars and students, particularly in engineering and management fields, the #EnergySmartSTART programme aims to attract young talent and extend employer branding to final-year students in various fields to broaden the talent pool. This endeavour is supported by conducting career days, concluding university partnerships and launching internship programmes. The Group tailors its recruitment marketing campaigns and engagement strategies, collaborates with organisations and participates in business events in an effort to attract potential employees. Internally, the focus has shifted to enhancing communication and activities for current employees to ensure a seamless brand experience from recruitment to offboarding, with plans to intensify these efforts in the upcoming year.

Employee welfare, adequate remuneration and cooperation

Policies

The Group is compliant with Directive (EU) 2022/2041. All Group employees receive a higher than minimum wage. The Group is compliant with the Republic of Lithuania Labour Code (link in Lithuanian), which defines freedom of association and obligates employers to conduct collective bargaining and conclude collective agreements.

Our work towards employee wellbeing includes our aim to establish unanimously fair, clear, competitive and transparent remuneration of the Group employees, while also considering both equal opportunity and non-discrimination principles.

Targets

Strategic employee wellbeing, adequate remuneration and cooperation targets related to the Group's own workforce are set in our Strategic plan 2023–2026, including the Employee Net Promoter Score (eNPS) with a target of ≥50% employees promoting the Group as an employer.

Metrics

For detailed information on the Group's employee welfare, remuneration and cooperation metrics, see section '6.5 ESG data' of this report.

Policies and other documents forming the employee welfare, remuneration and cooperation management and control system at the Group

Document / standard	Description
Group Remuneration Policy	The policy was approved by the General Meeting of Shareholders of the parent company and applies to all Group companies and employees. They key provisions of the policy include the following: – establishing unanimously correct, clear and transparent principles of remuneration for employees of the Group companies and the employee remuneration system based on them; – maintaining employee motivation and meeting the shareholders' expectations for sustainable, socially responsible development by creating a modern, international and competitive company; – attracting and retaining competent, fast-learning, technologically advanced, globally-minded and creative employees. For the effective performance of the Supervisory Board's functions and responsibilities in the field of remuneration, the Supervisory Board has set up a Nomination and Remuneration Committee to assess and make proposals on the Group's long-term remuneration policy, to monitor the compliance of The Group Remuneration Policy with international and good governance practices and to make appropriate proposals for the improvement of the Remuneration Policy. The Supervisory Board and the Nomination and Remuneration Committee ensure the prevention of conflicts of interest when making decisions on the remuneration system.
Internal Standard of Additional Benefits	The standard is used to regulate additional measures for motivating employees. If the individual provisions of the standard are inconsistent with the provisions of a collective agreement concluded within a Group company, the provisions of the standard or the collective agreement that provide more favourable conditions for employees shall apply to the employees of that company.

The Group's actions for employee welfare, remuneration and cooperation

Employee experience	The Group uses eNPS, which is a widely used metric to gauge employee job satisfaction by measuring their willingness to recommend their company. The survey includes questions related to the clarity of information on career opportunities, awareness of organisational changes, the perceived value of additional benefits, the ability to maintain work-life balance and the utilisation of regular one-on-one meetings with managers. The Group started measuring eNPS in 2019, conducting quarterly surveys with all employees. The target set by the Group is to have ≥50% of employees promoting it as an employer. In 2023 the Group maintained a high eNPS level at 57.5% (in 2022 – 61.8%). The survey revealed that maintaining work-life balance was the most challenging aspect in 2023. The results aid in identifying sensitive areas, facilitating continuous improvement in employee experience and enhancing engagement. Our plans include refining the survey by incorporating additional research areas for more comprehensive insights into employee experience. By sharing their opinions on internal processes, benefits and relationships, employees contribute to the creation of a supportive work environment and, thus, benefit themselves. This, in turn, benefits the Group by fostering its flexibility and a people-oriented approach, which leads to a better working environment.
Social protection	The Group provides comprehensive social protection through public programmes and benefits to mitigate the impact of major life events. Health insurance options provided by the Group vary across locations (Lithuania, Latvia, Estonia, Poland and Finland), covering preventive care, dental, ophthalmology, outpatient and inpatient services and more. Additional benefits include sickness benefits, short-term illness leave, wellness days and annual flu vaccinations. Employees receive unemployment benefits, personal accident insurance and parental leave benefits. Retirement benefits encompass contributions to pension funds and optional savings plans of employees, with the state contributing to the 2nd pension pillar in Lithuania. Additionally, the Group grants financial support upon the birth or adoption of children and offers various payments based on specific family conditions. Follow this link to our website to find detailed information on our social protection programmes and benefits.

The Group's actions for employee welfare, remuneration and cooperation (cont.)

Remuneration	The gender pay gap, calculated based on fixed base salaries, stands at 2% in 2023 (3% in 2022). Our workforce includes a significant number of employees working non-standard hours, mainly in male-dominated engineering roles. The ratio between the highest-paid individual and the median remuneration for employee is 11.05 (8.47 in 2022). The calculations include various remuneration components, excluding additional health insurance, which is equal and fixed for all employees. For information regarding remuneration, see section '5. Remuneration report' of this Integrated Annual Report.
Freedom of association and collective bargaining	The Group has various types of workers representatives, including 4 trade unions in Ignitis Gamyba (Reserve Capacities and Green Generation) and 6 in ESO (Networks). Work councils, which are mandatory in Lithuania for companies with over 10 employees, have the right to receive information and consult on company decisions, restructuring and health and safety. There are 6 work councils across different entities within the Group (Ignitis Group, Ignitis Grupės Paslaugų Centras, Ignitis (Customers & Solutions), Kaunas CHP (Green Generation), Vilnius CHP (Green Generation), Transporto Valdymas, and the work council of Ignitis Renewables (Green Generation) is currently in the election process. Collective agreements and legally binding agreements between employers and trade unions are established through collective bargaining, while unions and councils address various workforce issues, including wages, working hours, benefits, etc., in quarterly meetings.

Diversity, inclusion, and wellbeing

Targets

Diversity, inclusion and wellbeing target related to own workforce have been set and described within the Group Strategic plan 2023–2026:

- share of women in top management positions – ≥35%.

Actions

The Group understands that promoting employee diversity, inclusive culture and sustaining employee wellbeing bring a variety of benefits to employees and the Group, which lead to sustainable growth.

For further information about our activities and events related to diversity, inclusion and wellbeing in 2023, see our website.

Metrics

For detailed information on the Group's diversity, inclusion, and wellbeing metrics, see section '6.5 ESG data' of this report.

Policies and other documents forming diversity, inclusion, and wellbeing management at the Group

Document / standard	Description
Code of Ethics	The Group Code of Ethics is a set of guidelines that ensures the respect for human rights in the workplace, promotes diversity and inclusion, prioritises employee mental health and occupational safety and ensures equal work and remuneration conditions for all employees. It is based on the International Labour Organisation (ILO) Conventions No. 111, 155 and 100.
Group Equal Opportunities and Diversity Policy	The policy is a set of guidelines that establishes equal opportunity and diversity principles, outlines their implementation methods and ensures integration of these principles into the Group's internal legislation, applicable to all Group employees.
Group Abuse and Harassment Prevention Policy	The policy is a set of guidelines that obligates us to create an emotionally safe working environment for our colleagues, defines potential forms of abuse and harassment, outlines the procedure of reporting abuse and harassment and provides measures for preventing abuse and harassment. This policy applies to all Group employees. The Group disseminates and fosters democratic values in accordance with the guidelines set forth in the Universal Declaration of Human Rights and ILO Conventions (including conventions on the worst forms of child labour, maternity protection, etc.).

The main diversity, inclusion and wellbeing activities and actions taken by the Group

Main activities	
Human rights	Protection of human rights – The Group is committed to respect and protect human rights and freedoms recognised in national and international legislation. – The Group values employees and provides equal career opportunities irrespective of age, gender, race, beliefs, etc. It upholds human rights, offers fair working conditions and implements equal opportunity policies.
Discrimination prevention	Job ads – All our job advertisements indicate that we ensure equal opportunities and do not discriminate candidates. Commitment not to discriminate – Managers commit to a fair selection process by avoiding discriminatory questions and applying uniform criteria for candidates. Managers who refuse to commit, can't publish job ads. The Group emphasises personal responsibility for non-discrimination. Training – The Group mandates training for all employees (especially managers), aimed at preventing various forms of violence, harassment and sexual misconduct. After completing the training, employees are required to pass a test.
Women in leading positions and gender equality	Gender equality culture – The Group has launched the #EnergiseEquality initiative and is fostering discussions on gender equality and equal opportunities by using the 'Barbershop Toolbox' method established by UN Women in Iceland. Trained employees lead discussions promoting the gender equality culture. – Our CEO, Darius Maikštėnas, signed the Women's Empowerment Principles. More than 8,000 organisations around the world are committed to this initiative, only 9 in Lithuania. Women in leading positions – Our efforts to boost gender balance in leadership roles include targeted communication, encouraging gender balance in recruitment short-lists, elevating the visibility of female energy experts, using inclusive language in job ads and an ongoing recruitment programme focused on women in top positions.
LGBT awareness	LGBT awareness – The Group annually celebrates the International Day Against Homophobia, Biphobia, and Transphobia, encouraging employee engagement to create a welcoming environment for LGBT colleagues. Additionally, the Diversity and Inclusion Group participated in the Baltic Pride event in 2022, showing support for equal rights. Regular surveys are being conducted to gauge the wellbeing, experience and needs of LGBT employees.
Inclusive communication	Inclusive communication – Utilising screens for remote staff communication. – Newsletters for employees on parental leave. – Providing stress support and gathering feedback of remote employees. – Wellbeing mentors offer emotional support to remote and international employees.

The main diversity, inclusion and wellbeing activities and actions taken by the Group (cont.)

Main activities	
Physical and mental health	Wellbeing mentors – Wellbeing mentors is a community of trained employees who provide emotional support through in-person conversations, courses and team events, foster an open culture and reduce mental health stigma that has doubled since the start of the campaign (from 18 to 36 employees). They assist colleagues facing stress and conduct missions to support those in need. Professional emotional support – The Group offers a confidential emotional support line with free consultations by experienced psychologists for employees and their relatives. Additionally, professional help is available during team crises or disturbances. Self-help skills – The Group has various wellbeing programmes that promote healthy habits and emotional growth (e.g., 'Health Month', video series), internal lecturer trainings on personal growth, burnout prevention, resilience training, meditation, yoga classes, etc. Mobility and safety – Employee ambassadors lead internal traditions promoting annual physical activity, health, volunteering, sustainability and clean-up events. Organisational assurance – We have approved the Group Abuse and Harassment Prevention Policy.
Work-life balance	Burnout prevention – Encouraging work-life balance through mindful scheduling, break policies and intranet communication; – Video series by psychologists offering advice on managing work, family and personal wellbeing; – Reducing the number of teams with a higher risk of burnout. In 2023, there were 4.5% of such teams (9% in 2022). Our goal is to have less than 5% of teams with a higher risk of burnout. Family-friendly workplace – Encouraging work-life balance through mindful scheduling, break policies and intranet communication. – Video series by psychologists offering advice on managing work, family and personal wellbeing.

Workers in the value chain

Our impact

Materiality assessment

In the last materiality assessment, the following topics related to the workers in the Group's value chain were identified as being material:
– health & safety of employees and contractors;
– responsibility and sustainability in the supply chain.

For further details on the Group's materiality assessment, see section '6.1 Sustainability overview' of this report.

Our impacts, risks and opportunities

The Group has many contractors working in construction sites, at heights, near high-voltage electricity networks, etc. By nature, a big part of contractors' work is in high-risk areas, where it is extremely important to be well-trained and have the proper knowledge how to behave. The Group understands its responsibility to create safe working conditions, educate the contractors and provide them with personal and collective protective equipment. One of the Group's highest priorities is contractor health and safety.

The Group also influences its supply chain by raising requirements for socially and environmentally responsible procurement. Group companies award procurement contracts to suppliers to procure goods, services and work that they need. Such contracts are considered a significant tool for making a positive impact on the supply chain and contractors' employees.

The Group understands the reputational risks coming from value chain, including the failure to meet the high expectations of stakeholders and the financial loss of investments. To mitigate such potential risks, the Group strengthens its due diligent processes, shares the best practices and collaborates with employees of suppliers or contractors throughout the duration of the procurement contract.

Policies and other documents forming the management and control system for workers in the value chain of the Group

Document / standard	Description
Group Occupational Health and Safety Policy	The policy was approved by the Management Board of the parent company and applies to all Group companies. It promotes selecting the reliable partners who prioritise safety and comply with OHS requirements. To ensure OHS, partners must adhere to the Supplier Code of Ethics, report work hours and incidents in a timely manner, cooperate during inspections and follow OHS regulations.
Group Supplier Code of Ethics	The Supplier Code of Ethics focuses on the supply chain and its workers and establishes clear requirements the suppliers must follow and commit to. It sets requirements for the suppliers to ensure their employees' rights and proper working conditions which would also meet safety and health regulations.
Group Public Procurement Policy	The policy sets out the basic procurement planning, implementation and control principles for the Group companies. By complying with the provisions of this policy, the Group companies ensure compliance with the laws of the Republic of Lithuania and directives of the European Union applicable to them. When signing procurement contracts, suppliers are obligated to commit to the Group Supplier Code of Ethics, which promotes human rights, democratic values and follows international declarations. The Group sets requirements for contractor employees, emphasising competence, safety and timely provision of mandatory information. Workers must undergo medical examinations and OHS training before commencing work. The Group also monitors supplier compliance through assessments, information requests and potential visits to supplier premises.
Internal standards and instructions	Group companies that organise the work of contractors have standards that regulate the order of organisation and performance of dispatched personnel, contractors and other external organisations' work at their premises. Contractors must adhere to the requirements set in these standards/instructions. The standards/instructions are prepared based on the specific characteristics of the facilities.

Targets

Our Strategic plan 2023–2026 and 2026 targets regarding the safety of workers in the value chain include:

- zero fatalities of employees and contractors;
- TRIR of contractors <3.5.

Metrics

For detailed information on the Group's metrics related to value chain workers, see section '6.5 ESG data' of this report.

The Group's actions for workers in the value chain

Remediating negative OHS impacts	In response to the past OHS accidents at the Group, additional steps have been taken to prevent similar incidents from happening again and to ensure a safe environment, including: – the Group declaring 2023 as the 'Year of Safety'; – continuing the OHS programme 'Is it safe?', which includes training, raising awareness and promoting cooperation among the Group employees and contractors while improving OHS management, procedures and communication within the Group.
Inspections	The Group organises inspections to identify and promptly rectify OHS violations made by contractors. Additionally, the Group collaborates with contractors and third parties to assess potential OHS risks at its facilities and other work sites while promoting a culture of safety and zero tolerance for violations. Our overall objective is to maintain a safe and healthy working environment in accordance with our OHS policy. Every year, we prepare plans for contractor inspections and carry them out at their workplaces. The main criterion is how safely the work is being performed. After the inspection, we prepare an inspection report and send it to the contractor. If necessary, we request to eliminate any deficiencies and discrepancies.
Improving engagement	To achieve the best results, the Group has initiated a review of contractor agreements and is employing different engagement methods: – communication using newsletters; – contractor reinforcement programme; – contractor safety days; – consultations, meetings; – partner days and daily direct cooperation. ESO (Networks) conducts professional mastery competitions for contractors and employees separately. Starting in 2024, these competitions will be held to promote greater engagement among contractors' employees, learning, constructive collaboration to share the best practices. During these events, the best contractors are awarded, and errors made are analysed to prevent potential future incidents.
Due diligence	The procurement contract awarded by a Group company to a supplier must specify the supplier's designated staff member who will be responsible for the contract. The Group company cooperates with the supplier, its person responsible and its staff before concluding the procurement contract, during its performance and at the end of the contract. The regularity of cooperation depends on each procurement contract signed between a Group company and a supplier. Additionally, the Group regularly monitors the suppliers' compliance with the terms and conditions of the contract. The Group carries out periodic supplier assessments to evaluate if they adhere to the Supplier Code of Ethics (SCE). These assessments may involve visits to suppliers' premises, with suppliers legally obligated to provide the necessary information. Failing to comply with contractual obligations may result in penalties or contract termination. The Group has implemented five new improvement actions in 2023 to enhance its supply chain. The Group actively engages with its supply chain through various means, including direct communication, sustainability events, consultations, meetings and individual invitations to participate in sustainability initiatives. Contract performance involves the identification of responsible individuals from both the Group and the supplier. If concerns arise, suppliers can disclose them by contacting the Group's representative.
Electronic instructions	In 2023, electronic instructions were introduced, which help reduce the administrative burden on the employees supervising contractor work and provide the ability to control the work that untrained directors of work cannot organise or perform on ESO's (Networks) sites. Contractors then perform work at our objects according to the supervisor's instructions (in the electricity sector) and work orders (in the gas sector). These written tasks are entered into the Instruction Registration Program based on the 'Description of the process for carrying out work at the company's facilities based on instructions and orders' (link in Lithuanian) and 'Description of the process for issuing and revoking work orders or work orders/ authorisations' (link in Lithuanian).

Affected communities

Our impact

Materiality assessment

In the last materiality assessment, the following topics related to affected communities were identified as being material:

- local community welfare and relations;
- engagement in social activities.

For further details on the Group's materiality assessment, see section '6.1 Sustainability overview' of this report.

Our impacts, risks and opportunities

Our impact on local communities includes communities' economic, social and cultural rights, civil and political rights. The Group is also aware of the need to ensure the rights of indigenous people, but at this current state, neither existing nor planned projects encompass areas where indigenous people reside, so this aspect was not included in the assessment.

The Group has the ambition of developing new green generation capacities and operating existing assets while continuing to respect the communities' needs, therefore it responsibly considers its potential impact on the local communities.

The Group's activities can have an economic, social or environmental impact on the residents living in the vicinity of the Group's assets. In most cases, these impacts can be positive: economic benefit of new jobs, financial support to community projects, tax revenue or reduced pollution. On the other hand, we cannot dismiss possible negative impacts. For this reason, in the early stages of project initiation (mostly relevant to Green Generation), we carry out risk assessments that identify possible risks for local communities, e.g., impact on the landscape, what kind of communities and how close to a planned activity (e.g., wind farm) they live, cultural heritage and natural protection sites. All the risks identified in the assessment need to be mitigated, so we endeavour to remediate or reduce possible negative impacts.

Policies and other documents forming the affected community management at the Group

Document / standard	Description
Code of Ethics	The Code of Ethics is based on the values of our organisation and defines the principles and standards of business ethics followed by the Group companies and expected from our employees in their partnership and cooperation with local communities and organisations next to whom we operate and develop projects.
Sustainability Policy	The policy establishes the general sustainability principles of the Group as well as measures for the implementation of these principles. It supports our business culture and practices that are based on corporate responsibility and sustainable development.
Group Financial Support Policy	The policy determines the common practices of the Group for providing free-of-charge financial support.
Internal Community Engagement Strategy for Ignitis Renewables (Green Generation)	The strategy presents the guiding principles, tools and recommended frameworks for enhancing community engagement practices when building renewable energy projects. It includes fundamental guiding principles of effective community engagement, desired outcomes and specific methods of engaging the community, when they should be undertaken and why.

Targets

Ignitis Renewables (Green Generation) has set internal targets to engage with and provide mutual benefits to local communities, including:

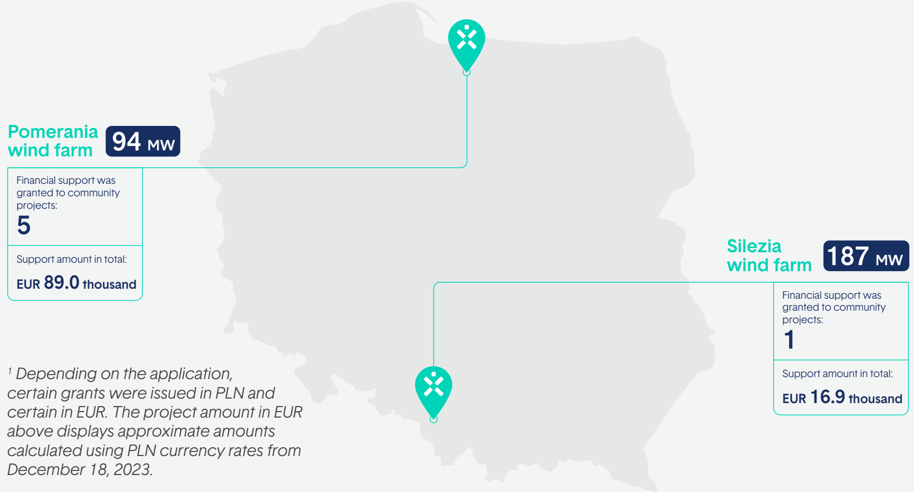
- providing feedback and/or proposal forms to people who engage in all public presentations in order to consider their views in upcoming presentations or projects;
- determining potential project-specific positive or negative impacts prior to the formal project procedures in order to adapt the project based on the affected communities' approach. Practical engagement examples include personal meetings with heads of local administrative units, leaders of local NGOs, etc., non-formal project presentations to local communities prior EIA;
- identifying involved stakeholders on a project-by-project basis. Stakeholder mapping entails defining municipal and local leaders, both formal and informal. We make sure to involve underrepresented groups as well. Afterwards, we develop individual communication strategies to define the objectives of cooperation throughout the project implementation.

Metrics

For detailed information on the Group's metrics related to the affected communities, see section '6.5 ESG data' of this report.

Financial support granted to local communities in 2023 in Lithuania

Financial support granted to local communities in 2023 in Poland[1]



[1] Depending on the application, certain grants were issued in PLN and certain in EUR. The project amount in EUR above displays approximate amounts calculated using PLN currency rates from December 18, 2023.

The Group's actions for affected communities

Financial support	The financial support practice was started in 2022 by Ignitis Renewables (Green Generation), and in 2023 Kaunas CHP (Green Generation) has also provided financial support for community projects. Generally, we provide financial support for community projects and initiatives to contribute to the development of community infrastructure, skills, events and other initiatives. However, our main goal of providing financial support to communities is empowering communities to confidently implement energy efficiency and renewable energy solutions in their lives.
Community engagement action plan	Community engagement is based on the mapped stakeholder analysis, which includes understanding the stakeholders' interests in and the influence on the project and the role they may play. Ignitis Renewables (Green Generation) follows a clear community engagement approach and develops community and stakeholder engagement action plans with different strategies. Ignitis Renewables (Green Generation) considers the views and interests of all stakeholders by working individually with each stakeholder on a project-by-project basis. In practice, community managers assist stakeholders at various stages of the project's lifecycle by tailoring the action plan based on the community's specific project needs and concerns.
Engagement channels and involvement	We take the views of community members into account when shaping and improving our sustainability activities as we are prioritising open and active communication. We provide all public presentation participants with a feedback form and encourage them to evaluate the presentation, leave their questions or submit proposals. We analyse the feedback results afterwards and consider them when preparing further presentations on project planning. We continuously assess stakeholders, give them a choice to be directly or indirectly engaged through various communication methods and ask them if they agree to be involved in the project development. Some stakeholders preferred to be consulted during specific stages of the project development or informed later about the project. As we use different engagement methods and strategies, the stakeholders can engage at various project stages, making the process more efficient and targeted and reducing the unnecessary burdens on participants. In Lithuania, in 2023 we engaged with communities located near our 6 new projects (in early development or in construction phases) in municipalities of Jonava, Klaipėda district, Plungė, Pakruojis, Kelmė and Tauragė. The scope of community stakeholders we directly engage with grew to 70 new organisations.
Engagement timing	Community engagement starts as early as possible, typically in the design stage, where we try and reduce the majority of possible negative impacts of our renewable energy projects. In 2023, we started engaging with the seaside/offshore external stakeholders by starting and facilitating the dialogue, organising informal meetings and exchanging information with the stakeholders.

Consumers and end-users

Our impact

Materiality assessment

In the last materiality assessment, the following topics related to the Group's customers and end-users were identified as being material:

- sustainable solutions and services for customers;
- energy system resilience and security, ensuring uninterrupted operations;
- energy efficiency for the public and customers;
- access to energy.

For further details on the Group's materiality assessment, see section '6.1 Sustainability overview' of this report.

Our impacts, risks and opportunities

Under the 'sustainable solutions and services for customers' we identified a possibility of taking advantage of the development opportunities and developing innovative solutions in order to make life easier and more energy efficient for our customers and end-user, meaning that the Group intends to offer innovative and green solutions and products to its customers.

'Energy system resilience and security' covers the services necessary to ensure the reliability of the Lithuanian electricity system and the quality of electricity, meaning that we can offer our customers and end-users the necessary services to meet their needs and, at the same time, ensure the national energy security.

An integral part of ensuring energy security is guaranteeing access to energy, which includes preparing reliable technical conditions, constructing a physical connection, communicating with customers responsibly, managing safety-related risks and ensuring social inclusion. All Group companies that are responsible for energy generation, distribution, supply and all the ancillary functions are involved in ensuring the adequate energy access.

Policies and other documents forming the management of customers and end-users of the Group

Topic	Policy	Description
Information-related impact (privacy and data protection)	Group Personal Data Protection Policy	Under the policy, the personal data is managed in a clearly defined legal manner and according to the GDPR and the Law on Legal Protection of Personal Data of the Republic of Lithuania. To ensure the responsible and compliant handling of personal data, the Group has implemented comprehensive principles and measures that align with the EU GDPR and Lithuanian data protection laws. These measures include activity monitoring, impact assessments, risk management and employee training to safeguard the confidentiality, integrity and availability of personal data.
	Group Personal Data Protection Guidelines	The guidelines define a comprehensive data protection framework that ensures consistent practices across all its subsidiaries, encompassing the principles and requirements for processing personal data, including legality, security, acquisition, sharing, data breach management and employee data handling.
Social inclusion (non-discrimination)	Group Equal Opportunity and Diversity Policy	The policy regulates the principles of promotion, implementation and enforcement of equal opportunity and diversity and the main measures for the implementation of these principles at the Group. It promotes equal opportunities and diversity in the workplace by ensuring that employees treat each other and others with respect while upholding the principles of this policy in their interactions and refraining from engaging in any discriminatory, humiliating, harassing or violent behaviour.

Policies

Depending on the different impacts, risks and opportunities related to the customers and end-users, our management solutions vary accordingly. The main policies, strategies and internal guidelines that define the Group's management of its impacts, risks and opportunities related to the customers and end-users are presented in the table.

Targets

The Group has the following different targets related to customers and end-users:

- building a leading EV public charging network in the Baltics – targeting to reach >3,000 charging points by 2026 in all three Baltic states;
- focusing on resilient and efficient electricity distribution – average electricity SAIFI over the four years 2023–2026 (per annum) targeting to be ≤1.05;
- annual transactional NPS target – Ignitis (Customers & Solutions) B2C transactional NPS target for 2023 – 61, for 2024 – 60. Ignitis (Customers & Solutions) B2B transactional NPS target for 2023 – 58, for 2024 – 60. ESO (Networks) transactional NPS target for 2023 – 53, for 2024 – 54.

Policies and other documents forming the management of customers and end-users of the Group (cont.)

Topic	Policy	Description
Information-related impacts (access to quality information)	Internal Group Communication Guidelines	The main purpose of these guidelines is to create a uniform image of the Group, reflecting the Group's strategy and business priorities. It also defines the principles of managing different channels, means and formats of communication effectively in the areas of internal, marketing and corporate communication.
Information-related impacts and social inclusion	Customer Experience Book	The book describes the principles of monitoring the performance of customer services at regular intervals in accordance with the service guidelines, processes, procedures, normative documents provided for therein, and assessing the impact of the deployed systems.
Health and Safety, security of person-related impacts	Rules on safety in the operation of electrical installations (Instructions by the Minister of Energy of the Republic of Lithuania)	The rules establish the safety guidelines for electrical installations and apply to electricity producers, transmission and distribution network operators, electrical installation operators and electricity consumers. They also establish standards for electrical safety signs.
	Internal safe energy guidelines	The guidelines are prepared by ESO (Networks) and provide comprehensive safety instructions for working around electricity networks and other safe practices, emergency procedures for handling power outages, outline network protection zones and prohibited activities within them. They also provide information about the meaning and implications of lightning warning signs.
Access to energy (guaranteed electricity and gas supply)	Conditions for the electricity (link in Lithuanian) and gas (link in Lithuanian) supply of the last resort and distribution services	ESO (Networks) has established a set of terms and conditions that define the procedures for the provision of electricity and gas supply of last resort and distribution services to its customers. These terms outline the mutual rights and responsibilities of both the customer and ESO (Networks), including pricing structures, payment methods and dispute resolution mechanisms.
Access to energy (disconnections)	Internal guidelines for disconnecting indebted customers	Both ESO (Networks) and Ignitis (Customers & Solutions) have established guidelines for handling indebted customers. These guidelines outline a clear process for customers to address their debts, including specific deadlines, communication channels and the information to be provided. Disconnecting a service is considered a last resort and is only implemented after all other collection efforts have failed. Additionally, there are exceptions for sensitive and vulnerable groups and a specific list of customers who cannot be disconnected due to the importance of their services to the public life.

Actions

Our Strategic plan 2023–2026 has set the strategic priorities for the Customers & Solutions segment of utilising and further expanding our customer portfolio to enable the Green Generation build-out. Furthermore, the segment's strategic priorities include building a leading EV public charging network in the Baltics and speeding up the transition from gas to power.

We carried out continuous analysis supported by regular annual surveys to focus on customers' habits while considering the lack of information in the energy transition context (energy efficiency): where it is expected to get information on energy-related services, prices, and other matters.

Social inclusion and information-related actions

The companies of the Group that have the most contact with customers, Ignitis (Customers & Solutions) and ESO (Networks), have established customer service standards, are regularly monitoring performance results and have carried out various customer service improvement projects. Considering our broad customer reach, the Group and its companies understand their impact, therefore, implement a 24/7 approach by providing basic energy-related services.

Safety matters

ESO (Networks) in 2023 launched an educational initiative to increase the public awareness on safety. ESO prepared and published clear guidelines for the public and introduced a new sign warning about entering a life-threatening object/premises. A separate page dedicated to safety has been included in the corporate ESO (Networks) website (link in Lithuanian).

Policies and other documents forming the management of customers and end-users of the Group (cont.)

Topic	Policy	Description
Access to energy (connections)	Description of the procedure for the connection of electricity producers and consumers to the electricity grid (link in Lithuanian)	Internal processes at ESO (Networks) have been established to follow the descriptions for connecting new electricity consumers, new electricity producers and new natural gas consumers. The descriptions provide clear procedures and requirements for connecting to the electricity or natural gas network, including guidelines for receiving, transmitting and redistributing energy, relocating or reconstructing networks and establishing the rights and obligations of consumers and operators. Additionally, the descriptions outline the payment procedures for the services provided by the operators.
	Description of procedures for the installation of new transmission or distribution systems in non-gasified territory, for the connection of new downstream natural gas systems to transmission or distribution systems and for the installation of downstream natural gas systems (link in Lithuanian)	
	ESO (Networks) description of the procedure for the use of electricity distribution networks by electricity producers (link in Lithuanian)	
Energy security (Reserve Capacities)	An agreement with the Lithuanian electricity TSO on the provision of services for the availability of electricity generation facilities in 2023	Elektrėnai Complex (Reserve Capacities), Kruonis PSHP and Kaunas HPP (both Green Generation), all managed by Ignitis Gamyba (Green Generation and Reserve Capacities), provide ancillary and balancing services to the transmission system operator (TSO) that are necessary to ensure the reliability of the Lithuanian electricity system and the quality of electricity.
	Synchronisation of the electricity system with continental Europe project (link in Lithuanian)	Ignitis Gamyba (Green Generation and Reserve Capacities) participates in the project of synchronising the Baltic states with the grid of Continental Europe, which aims to increase Lithuania's ability to independently manage its electricity system.
Energy security (LNG)	The Law on Liquefied Natural Gas Terminal and the Description of the Natural Gas Supply Diversification Procedure	The Lithuanian Ministry of Energy appoints a designated supplier for Lithuania's LNG terminal using a 10-year tender process. The designated supplier is responsible for procuring a mandatory quantity of natural gas through a contract with an LNG supplier. As of 2019, Ignitis (Customers & Solutions) is providing designated supplier services for Lithuania's LNG terminal.

The Group's actions for customers and end-users

	Ignitis (Customers & Solutions)	ESO (Networks)
Customer base	More than 1.4 million private customers throughout Lithuania.	1.8 million customers throughout Lithuania.
Main principles of communication with customers	– Strategically positioning as a reliable companion in energy solutions. This approach is followed throughout the whole customer journey. – The positioning of a reliable companion is applied in customer communication (clear pricing information, communication through channels that are accessible to the customer). – In advertising (we educate, we keep it simple, we choose the mix of channels so that it reaches all the customers, we adhere to the principles of the ethical use of advertising), in partnerships and in our websites.	– ESO's (Networks) obligation and goal as a company is to be transparent and objective in its communication with all of its stakeholders. – Main goal and characteristics also include being reliable, clear and professional. – One of the main objectives is to educate and inform the public on various energy-related topics. To communicate in a manner that is easily understandable to all.
Communication channels	Ignitis (Customers & Solutions) customers can choose communication channels that suit them the most, when they request information on their agreement, need consultation or have general questions. Available channels include: – online self-service (www.ignitis.lt, available 24/7); – websites (www.ignitis.lt , www.ignitis.lv, www.ignitis.ee, www.ignitis.fi, www.ignitison.lt available 24/7); – live chats; – email; – SMS; – customer service on Facebook; – call centres; – customer service centres in five major Lithuanian cities. Our customer centres are adapted for people with mobility disabilities: – entrances have no curbs or have ramps so that customers with mobility disabilities may enter the centres; – customer service rooms are spacious and there are no obstacles obstructing movement.	ESO (Networks) offers variable communication channels that cater to different audience needs. Available channels include: – online self-service (ESO savitarna, available 24/7); – website (www.eso.lt, available 24/7); – live chat; – email; – SMS; – customer service on Facebook; – corporate customer account on Facebook; – LinkedIn / Youtube; – public communication; – call centres.
Customer experience	Customer experience is measured using the Net Promoter Score (hereinafter referred to as NPS). Transactional NPS is measured immediately after the contact with the customer and reflects customer satisfaction with the execution of the inquiry, and Relationship NPS is measured twice a year using a statistically significant sample that reflects the overall customer perception of the company.	Customer experience is measured using the Net Promoter Score (hereinafter referred to as NPS). Transactional NPS is measured immediately after the contact with the customer and reflects customer satisfaction with the execution of the inquiry.
Innovations	EnergySmart application is also useful to the customers who have smart meters. This application helps customers track, analyse and monitor their energy consumption.	Installation of smart metering infrastructure enables electricity suppliers to create innovative solutions and offer products to their customers.
Grievance mechanism	Ignitis (Customers & Solutions) and ESO (Networks) customers and end-users have the possibility to report violations anonymously by using the Trust Line.	

Access to energy assurance

According to the legal acts of the Republic of Lithuania, Ignitis (Customers & Solutions) continues to provide a public supply service to consumers included in the third stage of electricity market liberalisation, who consume the least amount of energy and are likely to be the most vulnerable to energy price spikes. Legislation amendments adopted in October 2022 extended the electricity market liberalisation until 2026 (previously, the market liberalisation had to be completed by 1 January 2023). It is expected that by that time, the energy generation from renewable energy sources in Lithuania will be more developed, and the electricity market will be more stable. This change is important to nearly 500,000 consumers who consume up to 1,000 kWh of electricity per year and have not yet chosen an independent supplier. This is done in order to protect socially sensitive groups of the society. Consumers included in the third stage of the liberalisation project will be able to receive the services of the public supplier for a longer time and will have more time to choose an independent electricity supplier. However, it should be emphasised that these consumers can already choose an independent supplier as almost half of the consumers included in this stage have already made this choice.

ESO (Networks) provides the supply of the last resort service to those consumers who did not choose an independent electricity supplier in time, whose chosen electricity supplier does not fulfil its obligations to supply electricity under the conditions agreed with its customers or whose chosen electricity supplier ceases operations or terminates the electricity purchase and sale agreement concluded with the customer. It is like an “insurance” that protects the consumer from being left without electricity, but at the same time does not release him/her from the obligation to choose an independent electricity supplier.

Ignitis (Customers & Solutions) has been offering an electricity bill insurance service, which allows the independent supplier’s customers to insure their bills to be covered by the insurance company in case they lose their source of income since 2022.

Energy security

Ignitis Gamyba (Reserve Capacities and Green Generation) manages the largest electricity generation capacities in Lithuania: Kruonis PSHP, Kaunas HPP (both Green Generation) and Elektrėnai Complex (Reserve Capacities). The principal activities of these facilities are generation of electricity and provision of ancillary and balancing services to TSO.

In 2023, Ignitis Gamyba (Reserve Capacities and Green Generation) provided the following services:

- balancing capacity services:
  - the manual frequency restoration reserve (mFRR) capacity is reserved and used in case of imbalances in the system due to imbalances between generation and consumption and in case of the disconnection of a major network or generation element. mFRR balancing capacity is provided by two units of Kruonis PSHP (Green Generation) with a capacity of 369 MW;
  - the mFRR capacity is activated within 15 minutes and balancing energy can be delivered in amount and duration according to the needs and requests of the TSO. Today, balancing services are sold in the Baltic electricity balancing market through common merit orders and activations by TSOs to balance the Baltic power systems and manage the imbalances between generation and consumption across the Baltic control block.
- voltage control services which are not related to the frequency regulation and balancing. It is provided by Kruonis PSHP’s (Green Generation) units operating in synchronous compensator mode while regulating the reactive power and voltage. The service is activated when the TSO lacks the capacity of voltage management facilities on the transmission network elements to ensure power quality, i.e., when the voltage is not maintained within the specified limits at certain points on the transmission network;
- ancillary services for accident prevention and restoring the power system after a complete blackout. In such cases, the diesel generators of Kruonis PSHP and Kaunas HPP (both Green Generation) are started and activate the capacities of Kruonis PSHP and Kaunas HPP. They maintain the voltage in the transmission grid and supply the electricity needed to restore the electricity supply to Lithuanian consumers after an accident or a total blackout;
- isolated operation availability services that are not related to frequency regulation, but designed to ensure that the capacity providing the service is available in the event of isolated operation of the Lithuanian power system. The services are activated by the TSO if, for unforeseen reasons, the Lithuanian electricity system must operate in isolated operation mode without interconnections with other neighbouring systems.

In 2023, emergency balancing was activated 535 times, the amount of energy produced was more than 45.5 GWh (in 2022, it was activated 204 times, and over 19.2 GWh of energy was produced).

Sustainable solutions and services for customers

Ignitis (Customers & Solutions) seeks to offer its customers innovative solutions to make their life easier and more energy efficient. In its portfolio, Ignitis (Customers & Solutions) offer:

- a first in the world wind farm rental. Renting a wind farm provides customers with an opportunity to reduce their electricity costs without additional investments and, thus, contribute to the green generation development and increasing the energy independence in Lithuania;
- the option to own a remote solar park, ensuring that green energy would be available to everyone;
- Ignitis ON, the largest fast-charging EV network in Lithuania, as well as EV charging solutions for everyone, whether it’s needed at home, at the office, at the shop or on the go.

Metrics

For detailed information on the Group’s metrics related to customers and end-users, see section ‘6.5 ESG data’ of this report.

6.4 Governance

Business conduct

For detailed information on the Groups' governance see section '4. Governance report' of this Integrated Annual Report.

The Group's business conduct management system

Supervisory Board

Sets strategic sustainability direction, approves strategic sustainability goals and oversees progress

Risk Management and Sustainability Committee

- Supervises risk management by monitoring risk identification, assessment and management, evaluating internal control procedures, overseeing the implementation of risk management measures and assessing the periodic risk identification cycle.
- Oversees sustainability management by monitoring policy and strategic directions related to ESG targets, assessing internal control procedures and reviewing the status of implementation.
- Assesses the sufficiency of internal documents governing the fight against bribery and corruption, monitors their implementation and periodically reviews information related to business ethics management.

Management Board

Approves policies, programmes and ensures implementation

Line 1

Employees and managers at various levels

- Establish clear roles and responsibilities.
- Establish / implement targets.
- Perform daily activities.
- Identify, assess and manage risks.
- Ensure internal controls.
- Perform preventive actions.
- Supervise contractors/subcontractors.

Line 2

Group Compliance
Group Enterprise Risk Management
Group Corporate Security
Group Cyber Security
Group Finance

- Ensure compliance with legal acts and requirements.
- Identify, assess and manage risks related to business conduct.
- Develop frameworks.
- Ensure independent reporting.
- Perform trainings.
- Act in advisory role.

Line 3

Group Internal Audit

- Provides independent and objective assurance and consulting services.
- Ensures the effectiveness of 1st line and 2nd line.

External audit (for certified companies)

Our impact

Materiality assessment

In the last materiality assessment, the following topics related to the Group's business conduct were identified as being material:

- ethical business, anti-corruption, and transparency;
- energy system resilience and security;
- responsibility and sustainability in the supply chain.

For further details on the Group's materiality assessment, see section '6.1 Sustainability overview' of this report.

Corruption prevention and detection

Our employees and business partners must act in a lawful, trustworthy, transparent manner, they must not engage in any fraudulent activities or tolerate, facilitate, encourage, or participate in any forms of corruption. The Group's business decisions and actions are based on mutual trust, objectivity, impartiality, and the supremacy of the public interest. We constantly strengthen the development of responsible business, have zero tolerance for any form of corruption and adhere to high standards of ethics, accountability and transparency. In our daily activities, we integrate not only the EU legislation regulating market abuse, but also the documents and guidelines of exchanges and regulatory bodies where the Group's securities are included.

Impacts and risks related to different business conduct aspects

Aspect	Impacts	Risks
Ethical business, anti-corruption, and transparency	– Corruption prevention and detection. – Data protection. – Political influence and lobbying. – Taxes.	– Political / legal – Financial: meeting the expectations of stakeholders. – Reputational: public pressure to act in more sustainable way. – Safety: increasing likelihood of accidents.
Responsibility and sustainability in the supply chain	– Business conduct in supply chain. – Payment practices.	
Energy system resilience and security	– Preparation for unforeseen outages. – Cybersecurity.	– Energy sector's stability. – National security.

Corruption prevention related policies

Document / standard	Description
Group Code of Ethics	The Code of Ethics of the Group is based on the values of our organisation and defines what ethical activity principles should be followed by the Group companies and employees. The Code of Ethics delineates the organisation's approach to achieving goals, guiding interactions with colleagues and partners, and establishing standards for ethical behaviour. The Code of Ethics outlines the organisation's commitment to prioritizing respect and equal opportunities for employees, fostering a culture of safe work and development, promoting an open and fair market, upholding responsibility and transparency, and empowering and protecting partnerships.
Group Anti-Corruption Policy	The Anti-Corruption Policy is the Group's key document for creating an anti-corruption environment, setting out the principles and obligations for the creation of a transparent environment and the implementation, supervision, and control of the policy. Employees working with the officials of foreign countries or operating in foreign countries must adhere to the principles of zero tolerance of corruption and to the provisions set out in the Anti-Corruption Policy. The policy applies to the Group's employees and business partners: contractors, suppliers, consultants, other partners and stakeholders. The policy is consistent not only with the principles of the United Nations Convention against Corruption but also with the provisions of the Law on Prevention of Corruption. Additionally, the policy is also compliant with the Anti-Corruption Management System Standard (ACMS). Furthermore, guidance and recommendations provided by both the Council of Europe's Group of States Against Corruption (GRECO) and the Organization for Economic Co-operation and Development (OECD) were duly incorporated into the policy.

The Group is committed to create a transparent environment by applying these general principles to the Group's Anti-Corruption Policy:

- the principle of legality;
- the principle of zero tolerance for corruption;
- the principle of avoidance of conflicts of interest;
- the principle of business transparency.

Within the Group, we refuse to provide any gifts to business partners, except where required by customary international protocol practice (Zero Gifts Policy). The Group does not tolerate any gifts or hospitality that could be construed, directly or indirectly, as rewards, influence, or patronage. Gifts accepted, returned, given shall be recorded in the manner set out in the internal regulations of the Group.

Actions

Anti-Corruption Management System (ACMS)

In 2021, the parent company became the first holding company in Lithuania to receive the international Anti-Corruption Management System (ACMS) certificate. The certificate confirms the compliance of the system with the LST / ISO 37001 standard in all companies of the Group. Independent external auditors perform annual assessments on how the Group complies with the requirements for this certificate. The Group's ACMS has a clear structure and ACMS elements, ensuring consistency and effectiveness in creating an anti-corruption environment.

ACMS encompasses the following aspects:

- international experience and best practices;
- systematic and consistent anti-corruption activities with a clear structure and elements;
- implementation across all Group companies;
- aiding in detecting and reducing corruption within the organisation.

ACMS elements in the Group:

- assessing corruption risks;
- compliance assurance function: designed to monitor system efficiency;
- informing relevant parties (employees, suppliers, business partners) about policies;
- training employees and business partners;
- monitoring the potential areas of corruption;
- implementing control mechanisms to reduce the corruption risks;
- establishing procedures to enable the effective reporting of corruption cases by employees or other related parties;
- formal process for investigating and addressing suspicions of bribery or attempted bribery.

Developing anti-corruption awareness

The Group Business Resilience function employees perform a corruption risk assessment at least once a year, which includes identifying and analysing corruption risks, assessing the effectiveness of existing anti-corruption and other control measures and planning new or additional measures if necessary. The assessment is an integral part of the corruption risk management process and is carried out in accordance with the Corruption Risk Assessment Standard of the Group. This standard ensures that systematic corruption risk assessment is performed, proportionate corruption control measures and criteria for evaluating their effectiveness are established and planned. The standard also establishes deadlines for the implementation of these measures and the structural units and employees responsible for their implementation.

When creating an anti-corruption environment, the Group focuses on the development of anti-corruption awareness among employees, the promotion of ethical behaviour and ethical conduct. Anti-corruption education is carried out in various forms and means while adapting the content of the training and training methods based on the target audience and its needs. The main goals of anti-corruption awareness development:

- to help each employee of the Group to develop civil and conscious values;
- to contribute to the Group's transparency provisions;
- to spread the message about the importance and benefits of corporate and social fairness;
- to familiarize with the main aspects of the anti-corruption environment in the Group and with the most important rules and agreements.

The Group aims to provide the latest and most relevant information to each employee of the Group, therefore the training material is being constantly updated. Anti-corruption education is carried out in various ways, e.g., adapting the content and teaching methods to the target audience and its needs. The following trainings are being organised for the Group employees:

- e-courses and tests for newcomers;
- each employee can access the anti-corruption

Group ACMS system

Centralised measures (applicable in all Group companies)

- The Code of Ethics.
- Due diligence of candidates. Basic e-courses on anti-corruption for employees.
- Management of conflicts of interest.
- Gift and hospitality management.
- Due diligence of ongoing procurements (before awarding contracts).
- Whistleblowing.
- Internal investigations.

Additional measures (applied as needed, after assessing the potential risk of corruption)

- Corruption risk assessment of functional areas.
- Due diligence of transactions and business partners (before concluding contracts).
- Anti-corruption control measures and obligations implemented by business partners.
- Financial and non-financial control measures.
- Additional anti-corruption training for employees.
- Additional anti-corruption training for business partners.

training material at their convenience;
- presentations and discussions on various business safety issues;
- GROW academy training;
- a set of memos and reminders for self-education on business safety topics;
- trainings tailored for target groups of employees.

Every year, the anti-corruption training is being organised for the Group's suppliers, where information is provided on the Group Gift Policy, the withdrawal and abstention process, the principles of open and fair competition, the practices applied in the Group, management of conflicts of interest, etc. In addition, the Group provides training for business partners, contractors.

Training goals of the Group:
- to develop anti-corruption awareness in employees;
- to introduce the activities that help create the anti-corruption environment;
- to present the basic requirements and agreements we must comply with.

Study on the level of tolerance for corruption

The Group measures the effectiveness of its anti-corruption environment by conducting a survey of the level of tolerance for corruption, also known as the Corruption Awareness Survey. The survey results reflect the maturity level of the organisation's anti-corruption environment and the corruption awareness of employees. The Corruption Awareness Survey helps identify:
- what is the general attitude of the employees towards corruption;
- how widespread this phenomenon is;
- what proportion of employees tend to tolerate this negative phenomenon;
- what proportion of employees are resistant to this phenomenon.

Based on the Corruption Awareness Survey's results, measures are being developed to increase the level of resilience of employees in the organisation. We conduct the Corruption Awareness Survey annually. In 2023, 54% of the Group employees participated in the survey (42% in 2022), and 95,2% stated that they do not tolerate corruption (94% in 2022).

Grievance mechanism

The Group promotes awareness and intolerance of any kind of violations among employees and stakeholders, including actions that may negatively impact or damage the Group's reputation. The Trust Line provides an opportunity to report violations committed by the Group's employees or business partners that threaten or violate the public interest and helps prevent and disclose such violations. The Trust Line can be used by all employees, customers, partners, or other stakeholders of the Group companies. The Trust Line guarantees the anonymity of whistle-blowers and meets the requirements of the Law on the Protection of Whistle-blowers (link in Lithuanian), into which the provisions of the international regulations have been transposed. Reports are being processed in accordance with the procedure established in the Group's internal legal acts and investigated in accordance with the rules of the internal investigation commission approved by the Group.

If an employee of the Group has received information that makes it reasonable to believe that a criminal offence of a corrupt nature has been committed, is being committed, or is being prepared to be committed, and if there are no restrictions on the disclosure of reportable information in legal acts, in such a case, the employee of the Group must report this to the Prosecutor's Office of the Republic of Lithuania, Special Investigations Service or other pretrial investigation institution. This duty is stipulated in the Law on Prevention of Corruption (Article 9).

The Trust Line contacts can be found on the websites of all Group companies. The reports may be made in any language of a country where the Group is operating. The Trust Line and the reports received through it are administered by the Corporate Security on a centralised basis: it evaluates the received information, ensures the confidentiality of the person who submitted it, forwards the reports for examination according to competence, etc.

The Trust Line can be used to report on:
- violations or shortcomings of the company's anti-corruption policy;
- abuse of office, bribery, or other acts of a corrupt nature;
- cases of fraud and deception;
- violations of the rules for declaring private interests;
- violations of the management of confidential information;
- work safety violations;
- misconduct by contractors or business partners;
- illegal or non-transparent use of the funds and assets of the Group or the Group companies;
- concealment of the consequences of the committed violation, obstruction of determining the extent of the consequences;
- any form of discrimination, harassment, violence or bullying;
- violations related to the environment pollution and integrity;
- any other suspected violations or potential misconduct.

Reporting channels
- Write an email at pasitikejimolinija@ignitis.lt.
- Record a message in the Trust Line's answering machine by calling at +370 640 88889.
- Fill a Trust Line form.
- Send mail at Laisvės ave. 10, Vilnius, 04215. Indicate the following recipient on the envelope, *UAB 'Ignitis grupės paslaugų centras', Corporate Security*, and write the following: *the message is confidential, the envelope is to be opened by the intended recipient only.*
- Cases of corruption can be reported to the Special Investigation Service of the Republic of Lithuania.

Data protection

Actions

- All employees are introduced to the Group's personal data processing practices.
- Personal data protection training is held for all employees every year.
- Compliance experts and the Head of Data Protection ensure the compliance with the Personal Data Protection Policy and the requirements of legal acts governing the processing of personal data.
- Group employees can receive consultations on personal data protection compliance issues.
- Memos for employees are being prepared regarding personal data protection based on their supervised activities.

The Group has implemented a Process of Data Processing Agreements, which includes the following security requirements:

- organisational and technical data processing measures must be applied to the service providers of Group companies (hereinafter referred to as the Processors);
- processors must ensure the security requirements stipulated in the data processing agreements;
- an annual assessment of selected processors must be carried out to identify whether they meet and fulfil the requirements for the protection of personal data established in the data processing agreements.

The processes mentioned above help ensure the submission of data security requirements to the Processors and control of the Processors in the implementation of security requirements.

Data protection related policies

Document / standard	Description
Group Personal Data Protection Policy	The policy prepared in accordance with the General Data Protection Regulation (GDPR) and the Group Corporate Governance Policy. The policy establishes uniform principles of personal data protection, which must be followed by the Group companies in their activities when processing personal data, to define the main personal data protection management measures and responsibilities in the field of data protection management.
Internal Personal Data Protection Guidelines	To ensure consistency across all Group companies, comprehensive personal data processing guidelines are established, covering legality, security, data acquisition, sharing with third parties, data processor engagement, employee data processing, rights assurance, subject information, video / voice recordings, activity records, impact assessment on data protection, personal data protection violations, and storage practices.

Taxes

The Group is a responsible taxpayer. We understand and recognize the importance of how paid taxes contribute to countries we operate in. The Group and its entities must respect the principle of legality, by applying the tax laws of the countries where the Group operates, to ensure that the purpose of the applicable tax rules or system is respected.

Full compliance with applicable tax laws and regulations and transparency are key principles of the Group's approach to tax. We act in accordance with relevant legislation on tax calculation and ensure that we pay taxes accurately. All the relevant information on tax expenses and taxes paid in accordance with the corresponding laws can be found in our interim and annual reports.

The Group does not invest in – or through – countries considered to be tax havens for the sole purpose of reducing its tax burden. We are open and have a strong and long relationship and good cooperation experience with the Tax Authorities. Our financial statements and financial statements of all significant subsidiaries are audited by external independent auditors. Responsible employees of the Group accounting and finance departments continually monitor changes in tax laws and regulations it helps for the Group to be always up to date and mitigate risk of non-compliance.

Political influence and lobbying

The Group does not tolerate any form of corruption or corrupt practices, illegal lobbying, including, but not limited to, forms of corruption such as bribery, graft, influence peddling, facilitation payments, or any other practices committed for the purpose of soliciting or requesting a bribery, graft, influence peddling, facilitation payment, or for concealing the commission of such practices of corruption. The Group refrains from any form of influence, whether direct or indirect, and does not fund or otherwise support politicians, political parties / movements, their representatives or their candidates, election campaigns, foundations or other organisations set up by politicians (or their related persons).

Political influence and lobbying related policies

Document / standard	Description
Group Financial Support Policy	The policy states that the financial support may not be provided and used for financing political parties, state politicians, political advertisement or political campaigns and covering debt obligations of participants of political campaigns occurred during the period of political campaigns or related to political campaigns; funds and establishments established by public servants of political (personal) confidence, the Parliament of the Republic of Lithuania, the Government, members of the municipality boards, members of single and collegial management bodies of political parties, their close relatives, spouses, partners when the partnership is registered according to the procedure set out in law. In addition, policy states that all employees must avoid nepotism.

Actions

The Group engages directly with policy makers, provides feedback and improvement suggestions to the policies, law, regulations in the energy sector. In 2023, the Group, through the process of public consultations, provided comments on various national legislative initiatives. The list below is not exhaustive:

- electricity network capacity and rules for its distribution / reservation (Government Resolutions No. 65 and No. 66);
- net-billing accounting system for prosumers (Amendments to the Law on Energy from Renewable Sources);
- further development of onshore wind and solar photovoltaic plants after limits, prescribed in law and Government Resolutions are reached (Amendments to the Law on Energy from Renewable Sources);
- conditions and procedures for connection and access to electricity (ESO Rules of Procedure for the Use of Electricity Distribution Networks, LITGRID AB Description of the Procedure for the Use of Electricity Transmission Networks, Amendments to the Law on Electricity);
- data exchange regulation in electricity market and introduction of Data Hub regulatory framework into national law;
- regulatory improvements of electricity aggregation;
- active customers, prosumers, citizen energy communities regulatory frameworks;
- Electricity Market Design legislative initiatives, proposed by the European Commission;
- offshore tender conditions and requirements for tender participants and winners (Amendments to the Law on Renewable energy Sources, amendments to the Law on Electricity, Government Resolution No. 1049, NERC Resolution No. O3E-332);
- rules of the payment procedure for the electricity production fee from renewable energy sources (Government Resolution draft);
- Hydrogen Guidelines 2024 – 2050 (Government Resolution draft).

The Group is registered in the EU Transparency Register. As provided in the Register, the main EU legislative proposals or policies targeted are EU law on electricity and gas synchronisation and trade, climate change, environmental protection, GDPR, MAR, REMIT, and energy packages regulating the sector. The Group participates in legislation activities in energy sector within the scope of exceptions of this Law, when such registration is not required.

ESO (Networks) is a member of European Distribution System Operators (E.DSO) and participates in relevant committees and working groups by sharing knowledge, preparing common policy papers and addressing sector's issues. E.DSO focuses on guiding EU research, demonstration and innovation (RD & I), policy and Member State regulation to support smart grid development for a sustainable energy system. ESO's (Networks) interests are consistent with the E.DSO's purpose to promote energy system, which is suitable to ensure energy decarbonisation, digitalisation and decentralisation. ESO as a member of E.DSO, through its activities, provides opinion on the EU legislative initiatives.

The Group engages with Eurelectric through both the National Lithuanian Energy Association (NLEA), which is a member association of Eurelectric, and by attending Eurelectric working groups directly. The NLEA unites the country's major state-controlled energy companies, which contribute to the implementation of national and EU goals – the development of green energy, energy efficiency, energy security and increasing market competitiveness. The EU Green Deal and national targets for energy and climate are among top priorities, therefore the members of association are focusing on the projects that will make a significant contribution to reducing carbon emissions in the long term, e.g., the development of offshore wind energy and electric mobility in our region. Representatives of the Group participate in the work of Eurelectric working groups.

Payment practices

The Group understands the importance of timely cash flows to business partners, especially with respect to late payments to small and medium enterprises (SMEs). Payment practices in the Group do not discriminate against SMEs, the Group's standard payment term is 60 calendar days. Therefore, payment terms are specified in the contracts by mutual agreement.

Sustainable supply chain

Policies

After the Group approved the SCE in 2021, all suppliers were invited to contribute to a more sustainable future. In addition, suppliers are encouraged to integrate sustainability principles into their operations and supply chain.

Actions

The Group actively promotes transparent, responsible, and sustainable solutions in the market by:

- applying the same high standard across all Group companies for the conclusion, performance, and implementation of contracts and other internal legal acts;
- including the provisions into contracts with suppliers that require compliance with the Group's Anti-Corruption Policy and the SCE during the contract execution;
- incorporating mechanisms into contracts to ensure contract performance, including fines, interest on arrears, and bank guarantees;
- including provisions in contracts that enforce environmental, social and governance requirements;
- implementing a system for monitoring procurement contract performance within the Group companies;
- before signing a procurement contract, the Group asks its potential supplier to fill in a questionnaire 'Get to know your business partner', which aims to ensure compliance with the requirements set by the ISO 37001 standard (ACMS) and the ISO 31000 standard (Risk Management) as well as the provisions of the Law on Prevention of Corruption (link in Lithuanian).

Grounds for exclusion in tenders

The Group seeks to strengthen national security by avoiding the conclusion and execution of procurement contracts with suppliers with links to hostile states or territories:

- the Group can reject a supplier's tender based on national legislation;
- the Group companies that are important for national security or manage critical infrastructure or information systems (ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation), Ignitis (Customers & Solutions), Ignitis Grupės Paslaugų Centras) are subject to additional requirements for the procurement of hardware, software, maintenance or support;
- suppliers' links to hostile territories are not only identified during the procurement process, but also monitored during the performance of the contract;
- procurement contracts include a provision to ensure that the supplier and the economic entities it engages may be checked and, in the event of the discovery of links to hostile territories, the contract can be terminated;
- the Group aims to reduce its dependence on manufacturers and suppliers of products that do not meet the criteria for the European and transatlantic integration, i.e., are not established or registered in the Member States of the European Union, the North Atlantic Treaty Organisation, the European Economic Area and/or the Organisation for Economic Cooperation and Development.

Business conduct in the supply chain related policies

Document / standard	Description
Group Supplier Code of Ethics	Reflects the Group's commitment to strengthening sustainable collaboration with suppliers by promoting legal, professional and fair business practices that incorporate environmental, social responsibility and business ethics objectives.

Duties and measures set out in the SCE for the suppliers

SCE sets a contractual duty for the supplier to:	SCE enforcement measures:

– have zero tolerance for swindling, bribery, trading in influence, money laundering, abuse of office and (or) other forms of corruption;
– not participate in any form of illegal agreements or other mechanisms that restrict fair competition, not enter into any form of cartel with competitors, for example, market or customer sharing or assignment, or price agreements;
– seek to reduce its dependence on product manufacturers and suppliers that do not meet the criteria of European and transatlantic integration – which are not established or registered in the Member States of the European Union, the North Atlantic Treaty Organisation, the European Economic Area and/or the Organisation for Economic Co-operation and Development;
– maintain a transparent, cohesive, and collaborative business relationship that complies with the provisions of the Group Code of Ethics and the Anti-corruption Policy.
	– monitoring system;
	– SCE Compliance Monitoring Standard;
	– SCE compliance assessment covers environmental protection, social responsibility, business ethics and governance practices;
	– commercial procurement contracts now include provisions requiring complying with the Anti-Corruption Policy and the SCE;
	– based on SCE compliance assessment results, an action plan is prepared to enhance the sustainability elements in supplier's activities, which includes:
	  – supplier training;
	  – events (e.g., 'Supplier Days');
	  – feedback;
	  – public and individual communication;
	  – invitations to participate in various initiatives;
	  – violation prevention.
	– suppliers' progress is monitored during the implementation of improvement actions;
	– business-related information, expert reports, and other useful information on sustainability topics is published on the Group's website to support procurement participants in sustainability efforts.

Business continuity

Preparation for unforeseen outages

The Group companies, as companies providing energy generation, distribution and supply, have developed detailed contingency plans and procedures for preparing for an unforeseen interruption of operations and responding to them. Our main priority is to keep continuous operations in order to implement the duty to the Republic of Lithuania to ensure energy sector's stability in the face of possible and relevant threats.

Power generation and other facilities, including the distribution infrastructure and information systems operating these facilities, may be affected by:

- system failures;
- power outages;
- capacity constraints;
- physical damage caused by natural disasters;
- various other emergency situations.

Actions

Continuity of Operations, Crisis Management, Emergency and Disaster Recovery Plans are being developed in individual Group companies. Training exercises and testing of plans are also held regularly by the Group companies.

The Group continues the cooperation and hold joint training exercises to improve our preparedness for unforeseen failures with various institutions of the Republic of Lithuania, such as:

- the police;
- Lithuanian Police Anti-Terrorist Operations Unit;
- Public Security Service;
- other.

The Group companies manage objects of strategic and national importance, therefore, additional attention is paid to the procedures, information and documentation which is intended for the proper implementation of Law on Mobilisation and Host Country Support of the Republic of Lithuania (link in Lithuanian).

Preparation for unforeseen outages related policies

Document / standard	Description
The internal Business Continuity Policy	The policy and standard of the Group were updated, regulating the main elements and responsibilities of business continuity. The business continuity system includes the assessment of key activities and/or processes through the periodical business impact analysis process, the preparation for a smooth continuation of activities in the event of various threats and situations, regular training, exercises of employees and the periodical monitoring of efficiency of the Business Continuity Policy's requirements.
The internal Business Continuity Standard	

Cyber security

Policies

The Group's operations depend on properly functioning core information technologies (IT) and operational technologies (OT). In the event of IT and OT disruptions, a data security breach or a cyber attack, the Group's operations may be disrupted. Therefore, cyber security is an essential component of the overall security and protection of the Group's operations.

The Group ensures information security by acting in accordance with international information security standards (ISO 27001, IEC 62443) and best global information security practices.

In order to ensure the compliance of the activities and processes of the Group with the GDPR, Ignitis Grupės Paslaugų Centras, which provides information security services to the entire Group, has been certified according to the ISO 27001 standard since 2014. The area of certification is 'Provision and development of information technology, telecommunications and infrastructure services, software development, maintenance and service and other business services of the group of companies'. This ensures high-quality and secure information management, enables the implementation of security measures in line with best global practices, and the management of information security risks.

Actions

We manage cyber security risks by:

- periodically assessing the information security risks of vital processes, IT and OT systems;
- systematically training employees to respond to information security incidents and vulnerabilities;
- appointing owners of information assets, IT and OT systems, OT devices and vital business processes and risks in each company;
- including information security obligations in agreements with third parties, which must ensure the same level of information security as the Group;
- paying particular attention to infrastructure and services, the disruption of which would harm not only the Group, but also the Republic of Lithuania. We regularly cooperate with the National Cyber Security Centre and other authorised institutions to ensure cyber security. Cyber security team actively participated in national and international cybersecurity exercises (CODE2023, Cyber Shield Opex, Amber Mist 2023) to enhance their ability to defend the Group's IT and OT infrastructure against cybercriminal attacks in real-time;
- the Group's incident management process is organised following best practices –incident management team Ignitis CERT is accredited by international organisation 'TF-CSIRT Trusted Introducer' from 2022.

Cyber security related policies

Document / standard	Description
Group Information Security Policy	The policy indicates the direction and describes the principles that ensure information security and proper management of related risks in the Group. The Group ensures information security by training employees, setting clear ownership of information, identifying, and monitoring risks, complying with regulatory frameworks in the country in which Group companies operates etc. This policy applies to all Group companies, employees, and service providers.

Metrics

For detailed information on the Group's business conduct metrics, see section '6.5 ESG data' of this report.

6.5 ESG data

Within this section, you'll find the complete set of our environmental, social, and governance (ESG) performance indicators, incorporating business drivers and other essential KPIs. The data form the basis for our reports to various investor schemes and serve as the foundation for responding to inquiries from investors and other stakeholders.

We aim to continue to improve our ESG data set and to disclose relevant and transparent information to our stakeholders. A number of international ESG reporting frameworks are used as guidance in the data selection and reporting process. We comply with the reporting framework GRI (Global Reporting Initiative) and implement ESRS (European Sustainability Reporting Standards) requirements to the best of our ability at this time.

The Group considers it important to provide some assurance of the indicators and provides limited assurance conclusions for selected material environmental, social and governance (ESG) metrics, including greenhouse gas emissions, health and safety, employee satisfaction, proportion of women in top management, Trust line reports and EU Taxonomy indicators. The limited assurance reports, including the full list of assured indicators, are provided in section '10.4 Independent limited assurance report on the selected sustainability indicators' of the Integrated Annual Report. The Group will conduct full assurance of the Sustainability report according to relevant requirements in the future.

Indicator content

Environment

Climate change

Methodology

GHG emissions are calculated by multiplying activity data by standard emission factors. The total amount of emissions is indicated in tonnes of CO_2 equivalent (t CO_2-eq). Data was obtained from commercial invoices or internal accounting systems. We use emission factors from official sources – Lithuanian national accounting reports and the Department for Environment, Food and Rural Affairs (DEFRA). Specific emission factors are used for each source category. Calculations are performed according to the standard approved by the Group. Detailed information on the emission calculation methodology can be found on our website.

GHGs are assessed according to their Global Warming Potential (GWP), which is calculated based on the warming potential of one kilogramme of gas compared to one kilogramme of CO_2 over a period of one hundred years. GWP of the main GHGs:

CO_2 – 1
CH_4 – 28
N_2O – 265
SF_6 – 23,500
NF_3 – 16,100

Emissions per full day equivalent are calculated by dividing all emissions by full-time equivalent of Group employees.

When **calculating electricity and heat energy production emissions per kWh produced**, only the production-related direct emissions are included, which are divided by the produced (gross) electricity and heat quantities.

GHG emissions[1]	Unit	2023	2022	2021	Δ (2022/2023)
Direct (Scope 1) emissions	Thousand t CO_2-eq	455	463	732	(1.8%)
Indirect (Scope 2) emissions (location-based)	Thousand t CO_2-eq	117	192	102	(39.2%)
Indirect (Scope 2) emissions (marked-based)	Thousand t CO_2-eq	418	495	529	(15.6%)
Other indirect (Scope 3) emissions	Thousand t CO_2-eq	4,058	3,947	3,275	2.8%
TOTAL (Scope 1, 2, 3 location-based)	Thousand t CO_2-eq	3,000	3,859	3,108	(22.3%)
TOTAL (Scope 1, 2, 3 market-based)	Thousand t CO_2-eq	4,931	4,905	4,536	0.5%
Emissions outside the specified scopes (biogenic origin)[2]	Thousand t CO_2-eq	361	259	217	39.4%
TOTAL[3]		**5,293**	**5,164**	**4,753**	**2.5%**
GHG emissions intensity					
Emissions (all scopes market-based) per full-time equivalent (FTE)	t CO_2-eq/FTE	1,127	1,186	1,173	(4.9%)
Emissions (all scopes location-based) per unit of revenue[4]	t CO_2-eq/EURm	1,177	n/a	n/a	-
Emissions (all scopes market-based) per unit of revenue[4]	t CO_2-eq/EURm	1,935	1,117	2,389	73.2%
Emissions from electricity and heat production per kWh produced	g CO_2-eq/kWh	113	109	157	3.2%
Other indicators					
Methane emissions	Thousand t CO_2-eq	71	135	191	(47.3%)
CO_2 emissions from transportation	Thousand t CO_2-eq	5.4	5.3	5.5	1%

[1] Emissions and intensity indicators for 2022 are slightly different from Annual report 2022 due to the revised data.
[2] In order to ensure complete disclosure of emissions, we present biogenic emissions from renewable energy sources separately (CO_2 emissions from combustion of biofuels and the biodegradable fraction of waste).
[3] The Group utilises a market-based approach to calculate emissions.
[4] The revenue used in the intensity calculation of the Group's emissions is 2,549.1 (EURm).

For detailed information please refer to section '6.2 Environment' of this report.

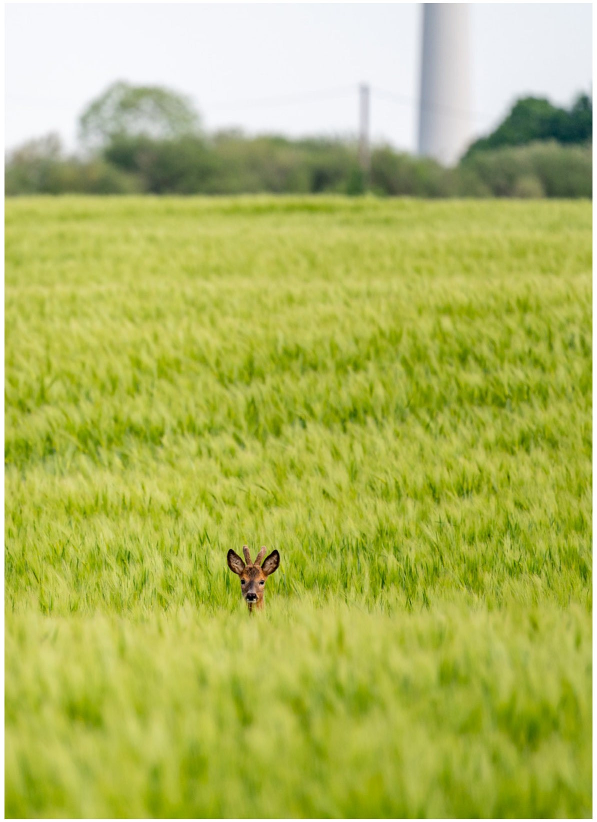
GHG emissions are assessed according to the international Greenhouse Gas Protocol (GHG Protocol) and are calculated by dividing the sources of GHG emissions into three groups according to their scope:

- **direct GHG emissions (Scope 1)**. Scope 1 emissions include natural gas and waste used for energy production, gasoline and diesel used in vehicles and methane emissions resulting from losses in the distribution network. The emissions of stationary incinerators accounts for more than 83% of the total Scope 1 emissions. In 2023, direct emissions decreased by almost 2% compared to 2022 due to the revised and updated methodology for calculating natural gas losses;
- **indirect GHG emissions (Scope 2)**. Scope 2 emissions include electricity and central heating consumed in the Group's activities and losses of the electricity distribution network. The main source of Scope 2 emissions was electricity purchased by Kruonis PSHP (Green Generation). Emissions from energy consumption in 2023 decreased by 16% compared to 2022 due to lower electricity grid losses;
- **other indirect emissions (Scope 3)**. Scope 3 emissions include all other indirect emissions of the Group's activities emitted by the sources that the Group does not control or own. Other indirect emissions include the emissions from:
  - purchased goods and services – third-party emissions from manufacturing of the goods and services used by the Group in its operations (cat. 1);
  - fuel- and energy-related activities – third-party emissions from extraction, production and transportation of fuels and electricity purchased by the Group from third parties for sale to end users (cat. 3);
  - upstream transportation and distribution (delivery services) – third-party emissions related to the delivery of goods (e.g., biofuel, waste) used by the Group in its activities (cat. 4);
  - waste and wastewater generated in operations – based on the actual and estimated generated amount of waste (cat. 5);
  - business travel – emissions associated with flights taken by employees for business travel purposes (cat. 6);
  - employee commuting emissions (cat. 7);
  - downstream transportation and distribution (waste removal services) – third-party emissions associated with transportation of products of the Group (e.g., ash generated from operations of the plants) (cat. 9);
  - use of sold products – emissions associated with use of sold products (e.g., emissions from natural gas combustion by the end user) (cat. 11);
  - downstream leased assets – emissions from the operation of assets leased by the Group (cat. 13).

Out of scope (biogenic) emissions

In order to ensure the full disclosure of emissions, we present biogenic emissions from renewable energy sources (CO_2 emissions from the combustion of biomass and biodegradable fraction of waste) separately. Emissions from energy production in 2023 increased by 39% compared to 2022. This increase is due to Vilnius CHP waste-to-energy unit operating at full capacity throughout the entire year.

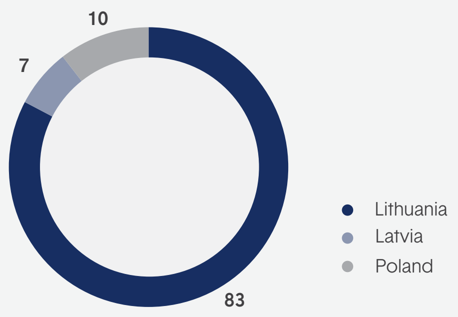
Detailed information on the Group's emissions can be found in the GHG emissions section on the Group's website.



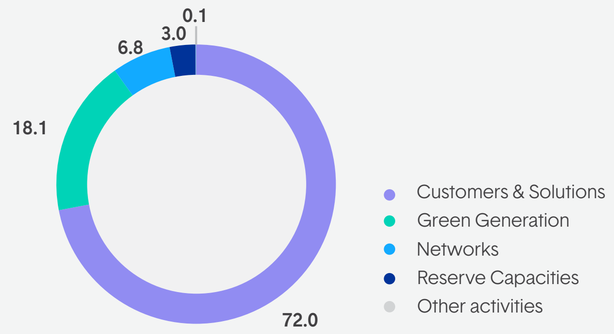
Biodiversity in Tauragė wind farm, Lithuania

The main sources of Scope 3 emissions were natural gas and electricity retail sales. Supply chain emissions of retail sales of electricity in 2023 increased by 37% compared to 2022 due to higher electricity sales in Poland and increased emission factors.

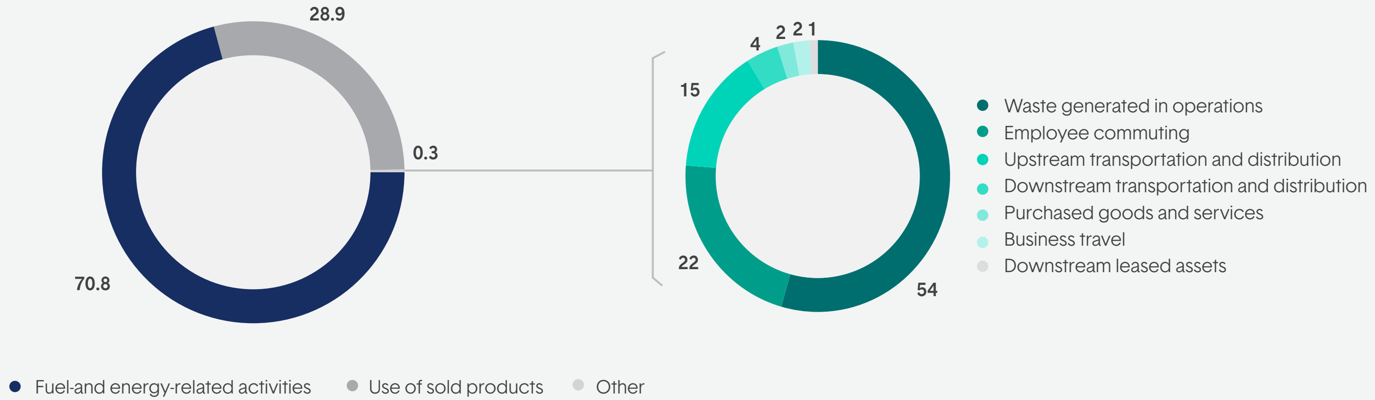
Share of GHG emissions by country, %



Share of GHG emissions by segment, %



Scope 3 GHG emissions by category, %



Energy consumption in the organisation

Methodology

Energy consumption is calculated by adding up the different types of fuel used in the Group. In order to unify the measurement units, all values are converted to gigawatt hours.

Data was obtained from commercial invoices or internal accounting systems.

Total energy consumption is calculated by adding the consumed fossil fuel, consumed renewables fuel, energy purchased for internal use, electricity generated by our own assets and subtracting the sold heat and electricity.

Due to the data reliability issues, the electricity produced by the wind farms and consumed internally is not included, which makes up an insignificant part.

Energy consumption in the organisation	Unit	2023	2022	2021	Δ (2022/2023)
Direct fuel use, of which	GWh	1,499	1,197	2,317	25.2%
Natural gas		740	600	1,711	23.3%
Gasoline		3	3	2	0%
Diesel		19	19	20	0%
Waste (non-biogenic)		736	575	584	28%
Direct renewable fuel use, of which		934	661	577	41.3%
Biomass		432	194	147	122.9%
Water[1]		4	4	4	13.1%
Waste (biogenic)		497	463	426	7.4%
Renewable energy consumed directly	%	47	36	20	11 pp
Energy consumed indirectly, of which	GWh	725	805	1,041	(9.9%)
Electricity		720	803	1,032	(10.3%)
Heat		5	2	9	150%
Self-generated electricity which are not consumed[2]	GWh	971	862	614	12.6%
Amount of energy produced and sold	GWh	3,048	2,722	3,152	12%
Electricity		1,974	1,830	2,299	7.9%
Green electricity generated		1,786	1,557	1,475	14.7%
Heat		1,075	892	853	20.5%
Total energy consumption	GWh	649	803	1,397	(19.2%)
Energy consumed to produce 1 MWh of energy	GJ/MWh	3.3	3.2	4.1	3.1%

[1] *Energy produced and consumed by Kaunas HPP.*
[2] *Energy produced by Kaunas HPP and wind farms, which is sold and not consumed by organisation.*

Direct fuel use includes waste, natural gas and biofuel used in power plants to generate heat and electricity. No fuel oil, nuclear sources or coal was used in the Group's activities. Diesel and gasoline are mainly used in the Group's vehicles. Kaunas HPP's (Green Generation) indicated energy is produced and consumed for its own needs. The share of renewable energy sources in direct fuel use increased by 11 percentage points due to lower electricity generation from natural gas and higher production from biomass.

The heat and electricity purchased by the Group is used by power plants (during repairs), Kruonis PSHP (Green Generation) and administrative buildings. Electricity and heat generated by power plants are not included.

The total energy consumption decreased by 19.2% compared to 2022.

Energy savings

Methodology

Accumulated energy savings of final consumers are estimated and calculated based on the actual data: after installing energy saving measures, the consumption difference is calculated by 1) multiplying it by the coefficient approved in the agreement (5%), while considering the consumer's own consumption and GDP growth indicators or 2) calculating the factual difference of energy saved while also factoring in the unused energy. The Group companies have submitted their reports to the Lithuanian Energy Agency for verification, however, we expect changes since the related agreements will have to be changed according to the corrections to the energy savings methodology suggested by the Group. The lifecycle of the measure is also being assessed, i.e., how long does the installed measure maintains its savings effect. Here we present the annual savings effect, while the estimate of the savings until 2030 is provided in the disclaimer below.

Savings in energy supplied to customers are calculated for each of the measures provided for in the agreements: the energy supplied by the supplier is multiplied by the savings coefficients of different educational and consulting measures determined in the Description of the Energy Savings Calculation and Maintenance Procedure for Measures to Increase Energy Efficiency (Order of the Minister of Energy of the Republic of Lithuania of 5 December 2016 No. 1-320). It is considered that the measure has been properly implemented if the supplier has created all the opportunities for the entire audience of its customers to see the information promoting energy efficiency. Here we present the cumulative energy savings effect of companies, which is assessed only for 1 year.

Energy savings	Unit	2023	2022	2021	Alignment to annual target
Accumulated energy savings of final consumers (Art. 7)	GWh	133.3[1]	11.78[2]	0.109	24 pp
Savings in energy supplied to customers, share of total energy supplied	%	1.08	1.04	1	0.04 pp

[1] Energy savings annual target for 2023 – 107.5 GWh, savings effect for 2030 – 133.3 GWh. The figures include not only the effect of the measures implemented that year, but also the continuing effect these implemented measures will have by 2030.
[2] Energy savings effect for 2030 – 11.78 GWh (savings validated). The figures include not only the effect of the measures implemented that year, but also the continuing effect these implemented measures will have by 2030.

For detailed information about energy efficiency in the Group, see section '6.2 Environment' of this report.

Pollution

Methodology

Air emissions of SO_2, NOx, CO and solid particles are calculated using automatic measurement systems or periodic measurements.

The total is obtained by adding the emissions of individual facilities.

The air pollution monitoring reports of each object are made public (available only in Lithuanian):

- Ignitis Gamyba (Reserve Capacities and Green Generation)
- Kaunas CHP (Green Generation)
- Vilnius CHP (Green Generation)

Air emissions	Unit	2023	2022	2021	Δ (2022/2023)
SO_2	t	8	7	9	5.3%
NO_x	t	486	441	570	10.2%
Particulate matter	t	18	16	15	11.3%
CO	t	149	154	139	(2.8%)
Emission intensity[1]					
SO_2	g/kWh	0.004	0.005	0.004	(12.1%)
NO_x	g/kWh	0.263	0.286	0.275	(8%)
Particulate matter	g/kWh	0.009	0.010	0.007	(7.1%)
CO	g/kWh	0.081	0.099	0.067	(18.9%)
SO_2	g/EUR	0.03	0.02	0.04	47.2%
NO_x	g/EUR	2.01	1.30	2.80	54.0%
Particulate matter	g/EUR	0.07	0.05	0.07	55.6%
CO	g/EUR	0.62	0.45	0.68	35.8%
Violations of environmental protection requirements					
Violations of environmental protection requirements, of which:	Unit	1 minor violation	1 minor violation	3 minor violations	-
Non-financial sanctions	Unit	-	-	n/d	-
Fines for violations of environmental protection requirements	EUR	0	105	n/d	-

[1] *Only the amount of energy generated by those facilities that actually emit emissions was used to calculate the emission intensity indicator (i.e., electricity from hydropower plants and wind farms is not included).*

Emissions threshold values are set by Environmental Protection Agency in IPPC permits. Compliance with IPPC permits is assured at several levels: emissions are continuously measured by continuous emission monitoring systems and the Environmental Protection Agency has access to the monitoring system (in case of any deviations, the monitoring system sends a notification), Environmental Protection Department carries out periodical onsite inspections and the implemented ISO14001:2015 standard ensures the compliance with the environmental aspects.

There were 13 environmental inspections in 2023 during which no major inconsistencies were identified. In early 2023, a discrepancy in our emission sources was identified by us during the internal inventory as one pollutant at one facility was not covered by our IPPC permits. Consequently, we compensated for excess pollution costs in 2022 and updated our IPPC permit.

Water and marine resources

Water usage

Methodology

Water usage. Water withdrawal, reuse and discharge data is obtained from the companies' performance data files. The data is tracked and recorded by the companies' employees responsible for environmental issues by monitoring the water meter readings, applying the water quantity calculation methodologies or the data is obtained from the utility bills provided to the companies (in leased objects).

Water consumption is calculated by subtracting the water discharged (except surface rainwater) from the water withdrawn (except hydropower and cooling water as it is withdrawn but reused).

Water usage	Unit	2023	2022	2021	Δ (2022/2023)
Water withdrawal (total):	Thousand m^3	10,077,707	10,311,174	9,431,894	(2.3%)
Groundwater		22.1	26.8	23.1	(17.5%)
Municipal water supply or other public/private water utilities		377.1	239.3	229.8	57.6%
Surface water (wetlands, rivers, lakes, etc.)		307.7	395.3	516.1	(22.2%)
Of which water withdrawal and reuse:					
Surface water for hydropower plants (Kruonis PSHP and Kaunas HPP)[1]		10,020,452	10,272,691	9,344,127	(2.5%)
Surface water for Elektrėnai Complex power plant cooling		56,548	37,820	86,998	49.5%
Water discharge (total):		1,234.9	1,192.6	1,227.0	3.5%
Municipal water treatment supply or other public/private water treatment utilities		638.4	467.7	415.9	36.5%
Surface rainwater and treated industrial wastewater discharge at the Elektrėnai Complex		596.4	724.8	811.2	(17.7%)
Water consumption (total)		**68.5**	**193.6**	**353.1**	(64.6%)

[1] *Water withdrawn for hydropower generation is not consumed and is released back to the environment.*

Total water withdrawal has decreased mainly due to the less surface water used for hydropower plants. Total water consumption has been decreasing over the past three years mainly due to lower withdrawal of surface water (wetlands, rivers, lakes).

Groundwater from our own wells is used in the units belonging to Ignitis Gamyba (Reserve Capacities and Green Generation) – Kruonis PSHP (Green Generation) and Elektrėnai Complex (Reserve Capacities). The majority of the water taken from the municipal water supply is used in Vilnius CHP and Kaunas CHP (both Green Generation). About 172,113 m^3 of condensate formed during the production process was reused in Vilnius CHP (Green Generation), thus saving water resources. The largest amount of the water withdrawn for consumption is from the municipal water supply. About 99% of withdrawn water is used for hydropower generation.

Water intensity

Methodology

Intensity of water use in generation using hydropower is defined as the freshwater withdrawal, used for generation of energy in the hydroelectric power plants, divided by the total production of electricity in the hydroelectric power plants. It was calculated in total and for Kruonis PSHP and Kaunas HPP (both Green Generation) separately.

Freshwater intensity for generation is defined as the total amount of fresh water used (excluding the water used for hydroelectric power plants) divided by the total amount of energy produced by the Group (produced electricity and heat).

Total water intensity in generation (m^3/kWh) is defined as the total amount of water used by the Group divided by the total amount of energy produced by the Group (produced electricity and heat).

Total water intensity in generation (m^3/EUR) is defined as the total amount of water used by the Group divided by the total annual revenue of the Group.

Water intensity	Unit	2023	2022	2021	Δ (2022/2023)
Intensity of water use in generation using hydropower	m^3/kWh	10.97	10.95	9.14	0.2%
Kruonis PSHP	m^3/kWh	4.02	4.19	4.15	(4.1%)
Kaunas HPP	m^3/kWh	20.87	20.77	20.55	0.5%
Freshwater intensity for generation[1]	m^3/kWh	0.017	0.013	0.026	30.8%
Total water intensity in generation	m^3/kWh	3.00	3.47	2.77	(14.3%)
	m^3/EUR[2]	3.95	2.35	5.0	68.1%

[1] *Excludes hydropower water.*
[2] *The financial metric used for calculating intensity is total annual revenue of the Group.*

The intensity of water use in generation using hydropower has been continuously increasing over the past three years. This mainly depends on the water level and how many units work at what power in the hydroelectric power plants. Freshwater intensity for generation increased compared to last year due to more water used by Elektrėnai Complex (Reserve Capacities) for production and cooling. Total water intensity in generation (m^3/kWh) decreased due to the decrease in total water withdrawal quantities.

Biodiversity and ecosystems

Land occupation by the Group

Methodology

Occupied area

The area occupied by the distribution networks was calculated after performing an area analysis in the geo-informational systems of the Networks segment. The area includes the object and its buffer protection zone.

The area occupied by wind farms is calculated by summing up the protection zone of each wind farm where the land use is changed (0.15 ha).

Data on the area of other objects are taken from lease agreements or official documents where the actual area of the buildings is registered.

Land occupation by the Group	Unit	2023	2022	2021[2]	Δ (2022/2023)
Land occupation (excluding Networks)[1], of which in:	Ha	**747.4**	**703.4**	**n/d**	**6.3%**
Lithuania		731.4	694.8	n/d	5.3%
Latvia		0.03	0.03	0.01	0%
Poland		8.12	7.39	4.39	9.9%
Estonia		1.2	1.2	1.2	0%
Finland		0.003	0.003	0,003	0%
Networks land occupation, of which:		102,172	103,342	n/d	(0.01%)
Overhead lines of electricity distribution networks		93,607	94,980	n/d	(0.01%)
Underground cables of electricity distribution networks		6,631	5,999	n/d	0.06%
Gas distribution networks		2,204	2,363	n/d	(0.07%)
Land occupation of power generation plants by technology:		740.76	696.59	693.59	6.3%
Wind / Solar[5]		59.12	15.32[4]	11.95	285.8%
Hydro		587.05	587.05	587.05	0%
Waste		7.71	7.71	7.71	0%
Thermal[3]		86.88	86.88	86.88	0%
Administrative and other premises		6.6	7.04	n/d	(6.3%)

[1] Of which 85.24 ha is occupied by Vilnius CHP 3, which has ceased operations.
[2] Figures for 2021 may be approximate due to lack of data. The analysis of the occupied area was carried out in the 2022 impact analysis on biodiversity and ecosystems.
[3] Elektrėnai Complex, Vilnius CHP 3.
[4] The land occupation is corrected.
[5] A solar park in Tauragė is situated in the same area as an existing wind farm and started its operations in 2023.

The Group's generation facilities operate in Lithuania, Estonia and Poland, we also have administrative and other ancillary facilities in Lithuania, Latvia, Poland and Finland. In addition, we manage electricity and natural gas distribution networks in the territory of Lithuania, covering an area of more than 100,000 ha, not only in urbanised, but also in natural areas. At the end of 2023, the total area of land used by Ignitis Group was more than 102,000 ha, with more than half of it located in or near natural habitats (hydroelectric power plants, electricity and natural gas distribution networks in forested areas, etc.).

Occupied land. The The indicator shows the proportion of territories that have been converted but does not show the quality of the territory before the conversion. The area of the Group's generation facilities covers 740 ha (of which 98% belongs to the Group by right of ownership), administrative and other purpose premises – around 6.6 ha (almost all are leased), electricity distribution networks with protection zones cover more than 100,000 ha (of which more than 6% – underground cables with protection zones). Judging only by the length of the power lines themselves, more than 34% are underground, and underground power lines require smaller protection zones, which means less affected areas of the natural environment.

It is important to take into account that some conversions of natural habitats occurred long before the creation of the national system of protected areas or the assessment of the significance of the landscape and habitats. The hydroelectric power plants managed by the Group were planned and built when Lithuania was occupied by the USSR in the second half of the 20th century, before the system of protected areas in Lithuania was formed:

- Kaunas HPP (Green Generation) – construction started in 1955, the Nemunas river was dammed, and the hydroelectric power plant started operations in 1959;
- Kruonis PSHP (Green Generation) – construction started in 1978, the operation of the pumped-storage hydroelectric power plant started in 1992.

Therefore, the habitat conversions made during the construction of these objects over a long period of time became the new ecosystems, which now belong to the Kaunas Lagoon Regional Park, a national protected area that preserves the unique landscape of the largest artificial water body in Lithuania, its natural ecosystem and cultural heritage values.

Distances to protected areas

Methodology

Distances to protected areas are obtained in two ways: calculated using cartographic material (Natura 2000 Network Viewer) and measuring distances or taken from official documents of environmental impact assessment procedures.

Distance to areas of high ecological value. During the environmental impact assessment or screening of environmental impact assessment of the planned economic activity, the distances to the protected areas (national and international) and the potential impact on them are assessed. As already mentioned earlier, Kaunas HPP (Green Generation) and Kruonis PSHP (Green Generation) were built before the creation of a network of protected areas in Lithuania, and the artificial water body (Kaunas Lagoon) was formed more than 60 years ago.

The indicator showcases which objects have a higher expected impact on biodiversity because they are located a short distance from (or are located in) the areas of high ecological value.

Presence of Group facilities in or near areas of high ecological value

Facility type	Number of facilities in the protected area/ all Group facilities of a kind	Type of protected area	Facility	Distance to the nearest protected area (km)	Country	The area occupied by the technology (ha)
WIND	0/12	Natura 2000 (BAST)	Mažeikiai WF (Pikeliai)	4.5	Lithuania	24.12
		Natura 2000 (BAST & PAST)	Jurbarkas WF (Geišiai)	2.1		
		Natura 2000 (BAST & PAST)	Tauragė WF I (Kreivėnai II)	>5		
		Natura 2000 (BAST & PAST)	Tauragė WF II (Kreivėnai III)	4		
		Regional Park Landscape Reserve	Kelmė WF I	3		
		Natura 2000 (BAST)	Kelmė WF II	2.4		
		Regional Park	Kretinga WF (Liepynė)	3		
		Natura 2000 (BAST & PAST)	Mali WF	0.9	Estonia	
			Tamba WF	2.4		
		Natura 2000 (PAST)	Pomerania WF	<1	Poland	
		Natura 2000 (BAST)	Silesia WF I Silesia WF II	<1		
SOLAR	0/1	Natura 2000 (PAST)	Tauragė PV	5	Lithuania	35[1]
HYDRO	1/2	Regional Park, Natura 2000 (PAST & BAST)	Kaunas HPP	In the protected area.	Lithuania	587.05
			Kruonis PHSP	Borders national and European protected areas.		
WASTE	0/2	Natura 2000 (BAST)	Vilnius CHP	0.95		7.71
			Kaunas CHP	2		
THERMAL	0/2	Landscape reserve	Elektrėnai Complex	5.8		86.88
		Natura 2000 (BAST)	Vilnius CHP 3	0.3		

[1] An environmental impact assessment covered a 77 ha area, with only 35 ha utilised during the construction in 2023.

Share of the area occupied by the Networks in areas of high ecological value

Methodology

Share of the area occupied by the Networks in areas of high ecological value is calculated by adding the area of the network and its protection zones and identifying their share in areas of high ecological value. GIS layers of ESO (Networks) distribution networks and publicly available GIS layers of forests, Ramsar, UNESCO, Natura 2000 and other areas from official sources were used for calculations.

Share of the area occupied by the Networks in areas of high ecological value

Share of the area occupied by the Networks in areas of high natural value:		
Natural habitats of European Community importance	%	1.7
Reservation	%	0.01
Natura 2000	%	4.4
UNESCO	%	0.1
Ramsar	%	0.3
The share of forests occupied by energy distribution networks:		
Overhead lines of electricity distribution networks	%	0.252
of which in key habitats	%	0.071
Underground cables of electricity distribution networks	%	0.012
of which in key habitats	%	0
Gas distribution networks	%	0.002
of which in key habitats	%	0.001

[1] Share of the area occupied by the Networks in areas of high ecological value was calculated in 2022 during the analysis of the Group's impact on biodiversity and ecosystems. Since the Group's activities have not changed, the values of the indicator in 2023 did not change, with slight variations in the ratio of the area of overhead and underground lines due to the replacement of overhead lines with underground cables by the Group.

Occupied land in the areas of high ecological value. We present the land occupied by electricity and natural gas distribution networks with protection zones in areas of high ecological value separately due to the specifics of their geographical distribution. Even though the spread of electricity and natural gas distribution networks over the landscape is particularly large (length – more than 127,000 km), only 1.7% of the total area of networks with protection zones is located in natural habitats of European Community importance, 0.01% – in reservations (national protected areas of the strictest protection regime), 4.4% oof the network is located in Natura 2000 areas, 0.1% – in UNESCO and 0.3% – in Ramsar areas. It is important to note that the land occupied in different areas of high ecological value cannot be combined as these areas may overlap (e.g., Natura 2000 may include national protected areas, forests, etc.).

As for the area occupied by electricity and natural gas distribution networks in the IUCN habitat classification areas, the largest area of the habitat networks geographically relevant to the Group is in forests – almost 0.3% of the forest area, of which 0.07% is in key habitats.

Please note that the networks are located only in the territory of Lithuania.

Protected species

Methodology

Protected species in the environment of the Group's facilities are identified on the basis of Environmental Impact Assessment or screening for an environmental impact assessment document, which lists the valuable characteristics of the territories, including protected species.

Protected species			Species according to IUCN Red List Categories (units)[1]					
Country	Species class	Ecosystem	Critically Endangered (CR)	Endangered (EN)	Vulnerable (VU)	Near Threatened (NT)	Least Concern (LC)[2]	Data Deficient (DD)
Lithuania	Birds, Invertebrates, Mammals, Amphibians, Ichthyofauna, Plants	Aquatic Terrestrial	2	4	4	7	2	2
Poland							48	1
Estonia	Birds, Plants	Terrestrial	1	2	3	2	1	1
Total			**3**	**6**	**7**	**9**	**51**	**4**

[1] The number of protected species is determined according to the species named in the documents of the environmental impact assessment.
[2] The number of species in this category is preliminary due to possibility that not all LC species were listed in EIA documents.

Protected species. The Group inevitably operates in wildlife areas, where there may also be habitats of protected species. When planning any new object or the expansion of an existing one, an environmental impact assessment or screening for an environmental impact assessment is carried out in accordance with the procedure established by legal acts, during which sensitive species in the vicinity of the planned activity are identified and, when relevant, measures to reduce or compensate the impact are applied. We performed a preliminary analysis of the protected species located in the vicinity of the Group's operational objects and classified the species according to the International Union for Conservation of Nature (IUCN) categories. Among the species of concern, we have identified:

- Critically Endangered: ferruginous duck (lat. *Aythya nyroca*), common nase (lat. *Chondrostoma nasus*), common curlew (lat. *Numenius arquata*).
- Endangered: black kite (lat. *Milvus migrans*), European fat dormouse (lat. *Glis glis*), "flat bark beetle" (lat. *Cucujus cinnaberinus*), wild garlic (lat. *Allium vineale*), black-tailed godwit (lat. *Limosa limosa*), velvet scoter (lat. *Melanitta fusca*).
- Vulnerable: hermit beetle (lat. *Osmoderma barnabita*), spotted crake (lat. *Porzana porzana*), white-backed woodpecker (lat. *Dendrocopos leucotos*), bird's-eye primrose (lat. *Primula farinosa*), common redshank (lat. *Tringa totanus*), northern crested newt (lat. *Triturus cristatus*), fragrant orchid (lat. *Gymnadenia conopsea*).
- Near Threatened: white-tailed eagle (lat. *Haliaeetus albicilla*), pond bat (lat. *Myotis dasycneme*), green snaketail (lat. *Ophiogomphus cecilia*), northern shoveler (lat. *Anas clypeata*), royal helleborine (lat. *Epipactis atrorubens*), European fire-bellied toad (lat. *Bombina bombina*), weatherfish (lat. *Misgurnus fossilis*), gadwall (lat. *Anas strepera*).

Please note that, as already mentioned, some of the Group's facilities (hydroelectric power plants) were built before the identification of valuable properties and the formation of the system of protected areas.

Other cases are related to ensuring access to electricity supply for the society – the electricity distribution network is built both in forested and protected areas, but we take into account the most valuable natural areas and avoid their disturbance.

Resource use and circular economy

Waste generated by the Group

Methodology

We disclose hazardous and non-hazardous waste categories together with their largest subcategories.

The waste generated in each company of the Group is recorded and accounted for by the companies' employees responsible for environmental issues, who collect and store it in the Unified Product, Packaging and Waste Record Keeping Information System (PPWIS).

The incinerated waste to ash ratio is calculated by adding all the fixed annual amounts of waste incinerated by Vilnius CHP and Kaunas CHP (both Green Generation) and dividing them by the total amounts of generated fly and bottom ash.

Waste generated by the Group which is transferred to waste management facilities [1]	Unit	2023	2022	2021	Δ (2022/2023)
Total	Thousand t	**122.1**	**111.9**	**107.3**	9.1%
Hazardous waste, of which		13.9	13.4	13.3	3.5%
Fly ash	%	96.6	96.1	93.4	0.5 pp
Non-hazardous waste, of which	Thousand t	108.2	98.5	94.0	9.9%
Bottom ash and slag	%	89.9	91	91.9	(1.1 pp)
Iron and steel		2.2	2.8	2.7	(0.6 pp)
Mixed municipal waste		0.2	0.2	0.2	0 pp
The ratio of the amount of incinerated waste and the amount of ash produced from it	Times	3.6	3.6	3.6	0

[1] *Waste generated at the end of the year might be transferred to the waste management facilities and accounted for only in the following year due to the established frequency of waste removal and management.*

The largest amounts of hazardous waste (fly ash) and non-hazardous waste (bottom ash and slag) are generated in Vilnius CHP and Kaunas CHP (both Green Generation). The largest share of iron and steel waste is generated by Ignitis Gamyba (Reserve Capacities and Green Generation) and ESO (Networks) companies.

The Group companies are implementing various waste reuse initiatives, but more detailed information is only available for the bottom ash and slag. In 2023 about 55,740 tonnes of bottom ash and slag were transferred for reusing. We plan to start looking for ways to monitor the amount of waste reused in more detail and reveal the information in future reports.

The waste generated by the Group's companies is sorted and transferred to waste managers. Currently, only Elektrėnai Complex (Reserve Capacities), partly Ignitis Gamyba (Reserve Capacities and Green Generation) and partly ESO (Networks) track the information of the end of the lifecycle of the waste transferred to waste managers. The companies track how much is recycled, how much is used for energy generation, how much is disposed of in a landfill or composted. It represents 3% of all waste generated by the Group. We plan to start following this process in more detail in other Group's companies and reveal the information about the lifecycle of managed waste in future reports.

No radioactive waste is generated in our operations.

Social

Own workforce

Methodology

Employee data is collected in the Group's personnel registration system. The actual headcount at the end of the year was used to calculate the indicators. This figure does not include employees on pregnancy, childbirth, childcare or paternity leave, or military service.

The headcount of the entire Group increased by 5.8% by the end of 2023. The largest share of the Group employees is working in Lithuania – 97.9%. The most significant increase compared to 2022 was in Ignitis Renewables and its subsidiaries, with the total number of employees increasing by 96%. Such growth is organic considering the pursuit of the Group's strategic Green Generation target of reaching 4-5 GW of installed green and flexible capacities by 2030.

				2023		2022		2021		Δ (2022/2023)	
Headcount			**Unit**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**
All employees			Unit	**4,405**		**4,163**		**3,884**		**5.8%**	
By gender			Unit	1,358	3,047	1,237	2,926	1,121	2,763	9.8%	4.1%
			%	30.8	69.2	29.7	70.3	28.9	71.1	1.1 pp	(1.1 pp)
By age	<24 years	All employees	%	2.3		2.2		1.9		0.1 pp	
		By gender		2.6	2.2	2.0	2.3	2.1	1.9	0.6 pp	(0.2 pp)
	25–36 years	All employees	%	28.9		28.7		30.4		0.2 pp	
		By gender		35.7	25.8	36.5	25.4	38.8	27.0	(0.7 pp)	0.4 pp
	37–56 years	All employees	%	49.7		49.8		48.9		(0.1 pp)	
		By gender		49.8	49.7	48.3	50.4	45.5	50.3	1.5 pp	(0.7 pp)
	>57 years	All employees	%	19.1		19.3		18.7		(0.2 pp)	
		By gender		11.9	22.3	13.3	21.9	13.6	20.7	(1.3 pp)	0.5 pp
Average age		All employees	Year	44.2		44.1		44.2		0.2%	
		By gender		41.0	45.7	41.1	45.5	41.6	45.3	(0.2%)	0.4%
Headcount share by position											
Trainees			%	0.1		0.0		0.0		0.1 pp	
Workers				18.1		18.5		18.9		(0.3 pp)	
Experts, specialists				70.9		70.8		70.2		0.1 pp	
Middle managers				9.4		9.4		9.6		0.0 pp	
Top level managers				0.7		0.8		0.8		0.0 pp	
CEO				0.7		0.6		0.4		0.2 pp	
Headcount share by employment contract type											
Total share of employees under a temporary employment contract			%	2.3		2.6		3.2		(0.3 pp)	
Of whom – share by gender				52.0	48.0	51.4	48.6	62.1	37.9	0.6 pp	(0.6 pp)
Total share of part-time employees				1.0		1.0		0.6		0.0 pp	
Of whom – share by gender				35.6	64.4	32.6	67.4	32.0	68.0	0.3 pp	(0.3 pp)
Headcount share by country											
Lithuania			%	97.9		98.7		99.2		(0.8 pp)	
Latvia				1.1		0.6		0.3		0.5 pp	
Estonia				0.2		0.02		0.03		0.2 pp	
Poland				0.7		0.6		0.5		0.1 pp	
Finland				0.05		0.1		n/a		0.0 pp	

Headcount (cont.)	Unit	2023		2022		2021		Δ (2022/2023)	
Headcount share by business segment									
Networks		58.9		61.6		62.5		(2.7 pp)	
Green Generation		11.0		9.0		7.2		2.0 pp	
Reserve capacities	%	5.1		5.3		6.2		(0.2 pp)	
Customers & Solutions		9.3		8.6		8.6		0.7 pp	
Business development and support services		15.7		15.6		15.6		0.1 pp	
Headcount by Group company[1]		Unit	%	Unit	%	Unit	%		
Energijos Skirstymo Operatorius		2,595	58.9	2,563	61.6	2,427	62.5	1.2%	(2.7 pp)
Ignitis Grupės Paslaugų Centras		613	13.9	570	13.7	498	12.8	7.5%	0.2 pp
Ignitis Gamyba		373	8.5	367	8.8	359	9.2	1.6%	(0.3 pp)
Ignitis		362	8.2	320	7.7	304	7.8	13.1%	0.5 pp
Vilnius CHP		129	2.9	102	2.5	88	2.3	26.5%	0.5 pp
Ignitis Renewables		103	2.3	60	1.4	17	0.4	71.7%	0.9 pp
Ignitis Group		53	1.2	49	1.2	73	1.9	8.2%	0.0 pp
Kaunas CHP		41	0.9	41	1.0	39	1.0	0.0%	(0.1 pp)
Ignitis Latvia		25	0.6	18	0.4	13	0,3	38.9%	0.1 pp
Ignitis Renewables Latvia	Unit	23	0.5	5	0.1	n/a	n/a	360%	0.4 pp
Ignitis Renewables Polska		18	0.4	10	0.2	11	0.3	80%	0.2 pp
Ignitis Polska		15	0.3	16	0.4	16	0.4	(6.3%)	0.0 pp
Transporto Valdymas		12	0.3	17	0.4	21	0.5	(29.4%)	(0.1 pp)
Gamybos Optimizavimas		8	0.2	7	0.2	7	0.2	14.3%	0.0 pp
Elektroninių Mokėjimų Agentūra		6	0.1	5	0.1	5	0.1	20.0%	0.0 pp
Ignitis Eesti		6	0.1	0	0.0	0	0.0	100%[2]	0.1 pp
Ignitis Renewables Projektai 4		3	0.1	0	0.0	1	0.03	100%[2]	0.1 pp
Tuuleenergia osaühing		3	0.1	1	0.0	1	0.03	200%	0.0 pp
Ignitis Suomi		2	0.05	3	0.1	0	0.0	(33.3%)	0.0 pp

[1] *Only Group companies with more than one employee are displayed. For detailed list of all Group companies, see section '7.4 Performance of the Group companies'.*
[2] *As percent change is undefined when the starting quantity is 0, we chose to show 100% change if there is an increase from 0 to any number.*

Headcount	Unit	2023	2022	2021	Δ (2022/2023)
Employee share by tenure at the Group					
< 1 year	%	12.8	15.3	10.9	(2.5 pp)
1-5 year		34.8	31.3	33.0	3.4 pp
6–9 years		11.0	9.2	8.4	1.8 pp
10–14 years		7.2	8.4	10.0	(1.2 pp)
15–19 years		9.3	9.5	9.5	(0.2 pp)
20–24 years		5.0	6.2	7.3	(1.1 pp)
25–29 years		7.7	8.5	9.0	(0.8 pp)
>30 years		12.1	11.6	11.8	0.5

Occupational health and safety

Methodology

Lost time incident rate (LTIR) is the number of accidents (injuries) which lead to temporary incapacity for work per million hours worked. The hours worked means the total hours worked by full-time employees during the year. Accidents (injuries) are events that lead to incapacity for work for one (including the day of the event) or more days.

Total recordable injury rate (TRIR) is calculated using the same methodology as LTIR. Unlike LTIR, when calculating TRIR, the number of injuries also includes those injuries where the injured person is able to work the day after the accident. The data comes from internal registers, which are continuously updated. TRIR is calculated for employees of the Group.

Main indicators on OHS	Unit	2023	2022	2021	Δ (2022/2023)
LTIR (lost time injury rate per million hours worked)[1]	Indicator	0.79	1.27	1.58	(0.48)
TRIR (total recordable injury rate per million hours worked)[2]	Indicator	0.79	1.69	2.01	(0.9)
TRIR contractors (total recordable injury rate per million hours worked)	Indicator	0.93	n/d	n/d	-
Employee fatalities related to work	Unit	0	1	0	(100%)
Contractor fatalities related to work	Unit	0	2	0	(200%)
Number of contractors OHS inspections performed by ESO	Unit	1,256	3,135	3,048	(59.9%)
Times the contractor work was suspended by ESO due to OHS violations	Unit	22	40	47	(45.0%)
Fines paid by contractors to ESO for noncompliance with contractual OHS requirements	EUR thousand	30	72	81	(58.3%)
A part of the Group's employees working in company divisions certified according to ISO 45001 or another standard	%	83	85	86	(2.3%)

[1] LTIR – lost time injury rate per million hours worked.
[2] TRIR – total recordable injury rate per million hours worked.

The lost time incident rate (LTIR) in 2023 decreased by almost 38% compared to 2022 and was 0.79.

The total recordable injury rate (TRIR) in 2023 was 0.79 and was 53% lower than in 2022. Employee safety remains our top priority. The Group's Management Board declared 2023 the 'Year of Safety' and launched the 'Is it safe?' OHS programme across all companies. Our focus is on enhancing the safety culture, raising awareness and promoting cooperation among employees and contractors for safe and healthy work.

The Group initiated the calculation of the contractor TRIR indicator in July 2022. As a result, the contractor TRIR indicator is applicable only for the full year of 2023. During 2023, the Group experienced a total of 7 TRIR cases among the working contractors, with 6 injuries classified as mild and 1 as severe.

For detailed information about our employees' health and safety, see section '6.3 Social' of this report.

Employee turnover rate

Methodology

The employee turnover rate is calculated as the number of permanent employees who have left the company relative to the average number of permanent employees in the financial year.

The new employees number is taken from the Group's personnel registration system.

			2023		2022		2021		Δ (2022/2023)	
Employee turnover rate		**Unit**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**
All employees		%	9.7		11.1		11.7		(1.4 pp)	
By gender		%	12.1	8.7	16.5	8.9	18.3	9.0	(4.4 pp)	(0.2 pp)
By age	<24 years	%	26.7		34.4		40.0		(7.7 pp)	
	25–36 years	%	13.4		17.3		18.5		(3.9 pp)	
	37–56 years	%	7.4		7.7		7.2		(0.3 pp)	
	>57 years	%	8.4		8.1		9.4		0.3 pp	
Change over period for part-time employees[1]		%	48.9		29.6		60.0		19.3	
Change over period for employees under a temporary employment contract		%	36.0		69.7		43.5		(33.7)	
New employees										
All employees		Unit	690		812		534		(15%)	
By gender		%	40.7	59.3	43.8	56.2	46.0	54.0	(3.1 pp)	3.1 pp
By age	<24 years	%	15.7		14.1		20.4		1.6 pp	
	25–36 years	%	47.8		44.3		48.7		3.6 pp	
	37–56 years	%	33.3		37.4		30.1		(4.0 pp)	
	>57 years	%	3.2		4.4		0.7		(1.3 pp)	

[1] *Excluding temporary employment contracts.*

Compared to 2022, in 2023 the Group's total turnover rate has decreased by 1.4 pp to 9.7%.

GRI 401-1 | Nasdaq S3

Parental leave

Methodology

Employee data, including parental leave data, is collected in the Group's personnel registration system.

Retention rate is calculated by applying the Global Reporting Initiative (GRI) 401 standard requirements.

		2023		2022		2021		Δ (2022/2023)	
Parental leave[1]	**Unit**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**
Employees entitled to parental leave	Unit	1,358	3,047	1,237	2,926	31	49	9.8%	4.1%
Employees that took parental leave (of those entitled to do so)	%	1.9	0.2	3.2	0.1	100.0	6.1	(1.3 pp)	0.1 pp
Employees that returned to work after parental leave	Unit	38	6	36	3	32	5	5.6%	100%
Employees that returned to work after parental leave in the year before the beginning of the reporting period		35	3	28	5	31	6	25.0 %	(40.0%)
Of whom – employees who were still working the year after returning from their leave	Unit	31	2	25	5	24	5	24.0%	(60.0%)
Retention rate	%	88.6	66.7	89.3	100.0	77.4	83.3	(0.7 pp)	(33.3 pp)

[1] Only employees registered in Lithuania were included in the indicator calculations.
[2] Data for year 2021 is not comparable as methodology used was revised from 2022.

In Lithuania parental leave duration can be chosen by the employee. The duration determined by law is from 1 to 3 years. Besides, every family can choose who takes the parental leave (mother, father or even a grandparent). Theoretically, all employees that work in Lithuania can take parental leave. Employee can also choose when to return to work anytime in the 3-year period. The number above shows the status quo, how many employees took parental leave in 2023 and how many have returned from it (regardless of the year they took it).

To keep in touch with employees on long-term leave, we have introduced a new practice of sending newsletters to colleagues to inform them about any changes in the company, various initiatives, invitations to trainings and company events. About 87% of recipients open the newsletters.

The retention rate of women in 2023 decreased by 0.7 pp comparing to year 2022 and of men – by 33.3 pp.

Employees' use of benefits

Methodology

The share of employees using benefits (%) is calculated by including all the employees who worked at the end of the financial year, had the right to choose benefits and made their choices. Employees with the right to choose benefits are those employees whose probationary period (3 months) has already ended.

Employees' use of benefits (at employer's expense)[1]	Unit	2023	2022	2021	Δ (2022/2023)
Share of employees engaged in supplementary voluntary pension accumulation (3rd pillar pension funds)	%	11.7	13.5	10.9	(1.8 pp)
Share of employees who opted for additional health insurance	%	58.2	72.5	77.0	(14.3 pp)
Share of employees who chose the limit in the MELP[2] e-store	%	21.0[3]	n/a	n/a	-

[1] The number includes individuals opting for additional benefits accumulation from June 2023 to December 2023 as employees choose benefits in June–July for the next 12 months. At the end of the reporting period, some employees may no longer work at the Group.
[2] MELP – a web-based platform for effective communication and management of employee benefits.
[3] In 2023, a new additional benefit, the 'free to choose' limit, has been introduced alongside the existing options in the MELP benefit store.

Starting from 2023, an additional benefit, a MELP limit, has been introduced to the store alongside health insurance, additional pension accumulation and education. This highly flexible benefit allows employees to spend the limit on selected goods or services from the MELP e-store, or they can choose to donate their limit. This new benefit has quickly gained popularity, ranking second, while health insurance remains the most favoured. In third place is supplementary voluntary pension accumulation (3rd pillar pension funds). As of the end of 2023, nearly 10% of employees have not yet opted for additional benefits.

Other indicators

Methodology

Employee experience survey (eNPS – Employee Net Promoter Score) is conducted once a quarter in the Group. All Group employees are invited to participate in the survey. Employees indicate on a scale of 1 to 10 how much they agree with the statement: "I would recommend my company as a potential workplace to my friend or a good acquaintance." The recommendation index is calculated from the percentage of persons who would recommend the employer minus the percentage of persons who wouldn't.

Other indicators	Unit	2023	2022	2021	Δ (2022/2023)
Employee net promoter score (eNPS)[1]	%	57.5	61.8	57.4	(4.3 pp)
Employees who had performance review[2]		100	100	100	0
Share of employees working in companies that have collective agreements		69	71	72	(2 pp)
Share of employees who participated in volunteering initiatives at least once[3]		12.6	7.4	<1	5.2 pp
Profit per employee	EURm/employee	0.073	0.070	0.041	4.3%
Revenue per employee		0.58	1.1	0.5	(47.3%)

[1] eNPS survey was started in Q4 2019.
[2] Performance reviews, which include setting, reviewing and evaluating achieved goals, are performed in our organisation once or twice a year. Employee goals are directly related to their short-term incentives, which depend on achieved results and are paid to all Group employees.
[3] Employee volunteering initiative started on 8 October 2021.

While monitoring employee engagement and satisfaction, the Group has been conducting a quarterly employee experience assessment survey since 2019, which forms a comprehensive picture of how employees feel at various stages of our company's operations. Employees are asked whether they would recommend the company to their acquaintances, and the result of the answers to this question indicates the eNPS (Employee Net Promoter Score). Compared to 2022, this indicator decreased by 4.3 pp. A score above 50% is considered excellent.

Methodology

The indicator of share of women in top management positions includes the level of management bodies, company managers and their direct subordinate managers. If the same person holds more than one position in the same company, only one position is counted. The percentage of women in those positions is then calculated.

Composition of collegial bodies of the parent company by gender and age		Unit	2023		2022		2021		Δ (2022/2023)	
			F	M	F	M	F	M	F	M
Supervisory Board[1]	By gender	%	57.1	42.9	57.1	42.9	57.1	42.9	9.5 pp	(9.5 pp)
	By age (≥50 years)		57.1		57.1		71.4		(7.1 pp)	
Management Board	By gender		20.0	80.0	20.0	80.0	25.0	75.0	0 pp	0 pp
	By age (≥50 years)		20.0		20.0		25.0		0 pp	

[1] *On 21 December 2023 Ignitis Group received a letter of resignation from B. Christensen, an independent member of the Supervisory Board and the Nomination and Remuneration Committee. B. Christensen's duties as a member of the Supervisory Board and the Nomination and Remuneration Committee ended on 4 January 2024.*

Share of women in strategic positions	Unit	2023	2022	2021	Δ (2022/2023)
Share of women in top management	%	23.1	22.6	27.0	0.5 pp
Share of women in engineering and IT roles		20.6	20.5	19.0	0.1 pp
Committee chairs occupied by women		67	67	67[1]	0 pp

[1] *2021 data corrected, recalculation.*

The objectives set in the Group's strategic plan include an objective for ≥35% of management positions to be occupied by women. Meeting this ambitious objective requires additional steps in order to achieve a better gender balance in the Group. It also requires us to revise our culture and leadership values and ensure they allow women to thrive in the organisation.

The Group's Equal Opportunity and Diversity Policy states that the Group companies do not tolerate discrimination but promote a work environment that reflects the diversity of the society and implement the principles of respect for diversity. In order to attract the widest and most diverse range of employees, in the selection process we only pay attention to the candidate's competences, we do not take into account gender, age, relationship status, beliefs, race, faith, etc.

The diversity of the members of the Supervisory Board and the Management Board reflects the Group's objectives of ensuring the different necessary experiences and competences, so they complement each other and benefit both the Group and the society.

Methodology

The Group's total salary fund in 2023 amounted to EUR 136.7 million. In 2021, the formula for calculating the salary fund has changed – the leave, the pension reserve and the capitalisation of salary have been added.

The table shows the remuneration ratio of women to men, with average remuneration converted to full-time equivalent.

The presented remuneration ratio between men and women does not account for other factors that influence the level of remuneration (e.g., general situation in the energy sector, qualifications, work experience) and is solely based on gender.

Average monthly contractual remuneration is converted to full-time equivalent (FTE).

The purpose of the Group Remuneration Policy is to guarantee internal fairness and to avoid any discrimination.

The Group's remuneration structure is based on two essential documents: Remuneration Policy and Remuneration Guidelines. The Remuneration Policy sets out the basic principles and material provisions for the management and structure of remuneration, while the Remuneration Guidelines is a supporting document detailing the provisions of the Remuneration Policy (e.g., setting and evaluating objectives, determining and disbursing short-term incentives). Both documents are integrated and apply to all companies of the Group. For further information, see section '5. Remuneration'.

Remuneration ratio, women to men		Unit	2023 F	2023 M	2022 F	2022 M	2021 F	2021 M	Δ (2022/2023) F	Δ (2022/2023) M
All employees			0.98:1		0.97:1		0.97:1		-	
Trainees			1.01:1		0.36:1		1.21:1		-	
Workers			0.68:1		0.66:1		0.76:1		-	
Experts, specialists			0.90:1		0.90:1		0.90:1		-	
Middle managers			1.12:1		1.09:1		1.10:1		-	
Top-level managers			0.86:1		0.96:1		1.03:1		-	
CEO			1.38:1		2.0:1		1.20:1		-	
Remuneration of a standard entry level position compared to minimum salary in Lithuania	All employees	Ratio	1.90:1		2.0:1		2.0:1		-	
	By gender		1.70:1	1.90:1	1.7:1	2.0:1	1.8:1	2.0:1	-	-
Ratio of the annual remuneration of the organisation's highest-paid individual to the median annual remuneration of all employees			11.05:1		8.47		6.80:1		-	
Ratio of the percentage increase of the annual remuneration of the organisation's highest-paid individual to the median increased of the annual remuneration of all employees			2.18:1		1.14:1		(0.48):1		-	
Total annual salary fund		EURm	136.7		115.8		97.3		18.05%	

Average monthly salary by position (before taxes)[1]	Unit	2023	2022	2021	Δ (2022/2023)
All employees		2,735	2,665	2,400	2.6%
Trainees		n/d	n/d	n/d	-
Workers		2,056	1,990	1,758	3.3%
Experts, specialists	%	2,595	2,507	2,247	3.5%
Middle managers		4,377	4,338	4,020	0.9%
Top-level managers		9,220	8,650	8,030	6.6%
CEO		8,793	9,462	8,300	(7.1%)

[1] *Actual remuneration and other payments made to employees were included in the calculations. Trainees were not included when calculating the figures.*

Methodology

Employee indicators in any split are taken from the Group's personnel registration system.

The number of employees with **reduced working capacity** is confirmed after the respective employees provide the employer with relevant documentation from a medical institution.

Share by educational level is taken from the Group's personnel registration system as all employees must provide documents confirming their education upon starting their employment.

Reports on discrimination are registered in the Group's JIRA register and processed in accordance with the procedure established in the Group's internal legal acts and investigated in accordance with the rules of the internal investigation commission approved by the Group.

Employees with reduced working capacity		Unit	2023	2022	2021	Δ (2022/2023)
Employees with reduced working capacity	0–25% capacity	Unit	0	0	1	0
	30–55% capacity		28	25	28	3

Employee share by educational level	Unit	2023	2022	2021	Δ (2022/2023)
Higher (university and college)	%	76.3	76.5	76.6	(0.2 pp)
Secondary and vocational		19.9	19.8	19.7	0.1 pp
Primary and lower secondary		0.6	0.5	0.4	0.1 pp
No data		3.2	3.1	3.3	0.1 pp

Reports on discrimination	Unit	2023	2022	2021	Δ (2022/2023)
Reports on discrimination[1]	Unit	3	0	0	3
Human rights violations		0	0	0	0

[1] *Reports received via the Trust Line and other trustworthy sources.*

In 2023, we received three reports of discrimination, conducted their investigations as per internal regulations and confirmed one case. The employee responsible for inappropriate behavior and harassment was promptly addressed, resulting in their departure from the Group.

Employee trainings

Methodology

The average number of training hours per employee is calculated by recording all training hours and dividing them by all employees. Training data is collected in the internal HR registers. The actual headcount at the end of the year is used for the calculation.

Trainings include all additional trainings ordered by employees and trainings initiated by the HR. Mandatory trainings, such as fire safety, work procedures, etc., are considered as briefings and are not included in the number of trainings. Also, all online courses were not included in training indicators.

		2023		2022		2021		Δ (2022/2023)	
Employee participation in trainings	**Unit**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**
Total participants	Unit	3,931		3,361		2,891		17.0%	
Share of employees who participated	Ratio	89.2		81		74.4		8.2 pp	
Training participants by gender	Ratio	91.7	88.2	103.8[1]	71.0	31.1	43.3	(12.1 pp)[1]	17.2 pp
Employee participation in trainings									
Training hours, total	Hours	91,659		89,500		91,165		2.4%	
Training hours per employee on average									
Training hours per employee on average	Hours	20.8		21.5		23.5		(3.2%)	
Training hours on average by gender of participants	Hours	23.1	19.8	27.6	18.9	33.3	19.5	(16.5%)	4.7%
Training hours per employee on average by position									
Trainees	Hours	28.3		0		12.0		100%[2]	
Workers	Hours	18.2		12.3		5.8		48.1%	
Experts, specialists	Hours	18.0		19.3		21.8		(6.8%)	
Middle managers	Hours	45.9		52.3		66.3		(12.1%)	
Top-level managers	Hours	35.6		65.4		66.7		(45.5%)	
CEO	Hours	14.3		24.3		33.4		(41.3%)	

[1] The percentage is higher due to the counting of employees who participated in the trainings throughout the financial year, including those who left, thus exceeding the year-end headcount.
[2] As the percent change is undefined when there is 0 in calculation, we chose to show 100 % change if there is increase from any number to 0.

Based on the Group People and Culture Policy, we encourage continuous employee growth. The employees follow the main principles of employee education and training defined in the policy. Also, employees with the help of their direct managers make their own annual growth plans, establishing growth objectives, duration, measures and a clear achievable result. Compared to 2022, the number of employees who participated in trainings in 2023 increased by 17%, which demonstrates employee engagement and willingness to improve.

Affected communities

Methodology

Support provided to communities. The General Meeting of Shareholders of Ignitis Renewables (Green Generation) determines the part of the company's funds allocated for financial support in accordance with the procedure established by legal acts and the requirements for the maximum amount of financial support allowed.

Real estate tax is calculated by including the property taxes paid according to their purpose and the approved real estate tax rate.

Land use charges for landowners are calculated by assessing the rent and income tax payable.

Benefits to local communities	Unit	2023	2022	2021	Δ (2022/2023)
Land use payments to landowners		1,407.2	548.2	381.6	156.6%
Real estate tax paid to municipalities	EUR thousand	1,119.2	1,121.7	804.5	(0.2%)
Support provided to communities		352.3	86.1	n/a	309.1%

Ignitis Renewables is continuing a sustainable and close cooperation with the communities that are located near its renewable energy projects under development, under construction or in operation. This year, financial support was allocated to the communities in Lithuania for the second time and to communities in Poland for the first time.

For detailed information, see section '6.3 Social' of this report.

Consumers and end-users

Methodology

The average grid connection time is calculated as the time to connect new electricity customers by adding up the duration of individual connection processes. The information is collected from the Group's internal system.

Share of new connections meeting the deadline includes the share of new connections that did not exceed the set connection deadline.

Production-based availability is calculated as the ratio of actual production to the possible production, which is the sum of lost production and actual production in a given period. The production-based availability is impacted by wind turbine outages, which are technical production losses. PBA is not impacted by market-requested shutdowns and wind farm curtailments as these are due to external factors.

The load factor is calculated as the ratio between the actual generation over a period relative to the potential generation, which is possible by continuously exploiting the maximum capacity over the same period.

Wind speeds for the areas where Ignitis Renewables onshore wind farms are located and measured on site at the wind turbine hub height.

Ensuring access to energy	Unit	2023	2022	2021	Δ (2022/2023)
Average grid connection time	Calendar days[1]	42	64	37	(34.4%)
	Calendar days[2]	38	63	40	(39.7%)
Share of new connections meeting the deadline	%	98	96	95	2 pp

[1] *Actual connection.*
[2] *Annual target.*

Renewable energy	Unit	2023	2022	2021	Δ (2022/2023)
Green Share of Generation	%	85.0	85.1	64.2	(0.1 pp)
Production-based availability (wind farms)	%	95.8	99.5	99.5	(3.7 pp)
The load factor (wind farms)	%	36.3	31.6	29.0	4.9 pp
Wind speed	m/s	6.9	7.0	6.8	(0.1)

The average grid connection time duration has scale down due to technical conditions and the decreased duration of the application verification stage, which was caused by a lower number of applications.

Methodology

The total length of the underground power lines is calculated by adding the lengths of the underground lines.

Reconstruction of steel gas pipelines using polyethylene pipes is calculated by multiplying the share of polyethylene pipes used for the reconstruction of steel gas pipelines and the number of km laid per year.

SAIDI – average duration of unplanned interruptions in electricity or natural gas transmission.

SAIFI – average number of unplanned long interruptions per customer.

Electricity SAIDI/SAIFI is calculated based on the National Energy Regulatory Council's methodology, excluding (1) interruptions due to natural phenomena corresponding to the values of natural, catastrophic meteorological and hydrological phenomena indicators; (2) interruptions due to failures in the network of the transmission system operator.

Customer NPS

Transactional NPS – customer satisfaction and willingness to recommend us, which is assessed after a specific contact, taking into account the customer's experience.

Network reliability and efficiency	Unit	2023	2022	2021	Δ (2022/2023)
Total length of underground power line	km	45,554	43,918	42,028	0.04%
	%	35.5	34.6	33.1	0.9 pp
Reconstruction of steel pipelines using polyethylene pipes	km/year	6.21	12	11	(48.3%)
	%	28.4	56.0	54.4	(27.6 pp)
Electricity SAIDI	min.	121	179	202	(32.4%)
Electricity SAIFI	times	1.35	1.52	1.45	(14.5%)
Natural gas SAIDI	min.	0.30	0.27	0.47	8.3%
Natural gas SAIFI	times	0.003	0.003	0.006	0%

Customer NPS (Net Promoter Score)	Unit	2023	2022	2021	Δ (2022/2023)
ESO customers transactional NPS	%	53.1	53	60	0.4%
Ignitis B2C transactional NPS		67.3	57	55	18.0%
Ignitis B2B transactional NPS		73	53	48	37.7%

In 2023, our key focus was strengthening and developing our self-service platforms. We prioritised timely customer service and controlling peak flows, with contributions from the product team in offering timely deals, customer service channel managers planning resources effectively and communications, product teams, and customer experience experts delivering proactive and clear communication.

Notably, Ignitis B2B NPS increased by almost 38% and B2C NPS increased by 18%. This result shows that our customers valued professional, clear and detailed services provided by our employees.

More information about network reliability and efficiency, see section '3.5 Results by business segments' of this report.

Governance

Business conduct

Methodology

Communication and training on anti-corruption policies and procedures occur through our Operations Manual. Only the latest and revised versions of the Anti-Corruption Policy and procedures are disseminated to employees for their awareness, with the expectation that everyone reviews them. The information is sourced from the Group's internal systems. **Training indicators** are calculated based on the ratio between the number of employees invited to participate in the training and the number of employees who participated.

The passing rate of the Anti-Corruption Policy and the Code of Ethics test is determined by calculating the percentage of those who passed.

Business conduct

Anti-corruption survey	Unit	2023	2022	2021	Δ (2022/2023)
Share of employees who participated	%	54.0	42.0	38.1	12 pp
Share of employees who state that they do not tolerate corruption	%	95.2	94.0	97.3	1.2 pp
Communication and training on anti-corruption policies and procedures					
Share of members of management bodies who are acquainted with the organisation's anti-corruption policies and procedures	%	100	100	100	0 pp
Share of employees who are acquainted with the organisation's anti-corruption policies and procedures	%	100	100	100	0 pp
Share of members of management bodies who participated in anti-corruption training	%	100	100	100	0 pp
Share of employees who participated in anti-corruption and Code of Ethics training[1]	%	100	100	100	0 pp

[1] The test on our Code of Ethics is an integrated part of the anti-corruption knowledge test.

In 2023, the share of employees who state that they do not tolerate corruption has increased.

The result of the anti-corruption survey is directly and indirectly influenced by many different factors, both internal and external, for example:

- due to a constant turnover of employees, new arrivals to the Group companies may not have developed the same level of anti-corruption awareness as other existing employees;
- in public spaces, various types of communication, pre-trial investigations and court decisions related to corruption, especially those where individuals suspected of corruption are either acquitted due to insufficient evidence or convicted and imprisoned for corrupt acts, can significantly impact the employees and influence their willingness to report corruption;
- seemingly unrelated things like rising prices, inflation, wage rates, employee sentiment and even mood at the time of the survey also have an impact;
- it should also be noted that this survey has a certain margin of error.

In summary, the survey results reflect the momentary opinion and attitude of employees toward not tolerating corruption, and this attitude can change depending on various factors.

Methodology

The share of employees who participated in the training is measured by calculating the ratio between the employees invited to participate in the training and the employees who actually participated. Trainings are registered in internal HR registers. The actual headcount at the end of the year was used for the calculation.

Reports received via the **Trust Line** are registered in the Group's JIRA register, processed in accordance with the procedure established in the Group's internal legal acts and investigated in accordance with the rules of the internal investigation commission approved by the Group.

Data protection	Unit	2023	2022	2021	Δ (2022/2023)
Share of employees who participated in data protection training	%	79.2	>90	52	10.8 pp
Substantiated complaints concerning breaches of customer privacy and losses of customer data	Unit	1	3	n/d	(2)

Trust Line reports	Unit	2023	2022	2021	Δ (2022/2023)
Attempts to bribe employees	Times	0	0	0	0
Trust Line reports:					
Total received	Units	233	358	812	(34.9%)
of which confirmed	Units	33	47	80	(29.8%)

In 2023, following the customer reports, one personal data security violation was identified, requiring the Group company to report it to the State Data Protection Inspectorate. Additionally, 155 personal data security breaches were identified, primarily attributed to human errors or customer faults (outdated data), resulting in partial disclosure of personal data. In 2023, the goal was set for all employees of the Group companies to undergo personal data protection training and pass the knowledge test. Over 79 percent of the employees successfully passed the test.

We received a total of 233 reports via the Trust Line. Most of them were related to the quality of the services provided and were transferred to the customer service. We measure the maturity and reliability of our services by the fact that we receive fewer and fewer reports. The number of received reports in 2023 decreased by 35% comparing to 2022. After detailed inspections of the received information, 33 reports about possible electricity theft, possible cases of corruption, improperly performed works by employees or contractors were confirmed.

Methodology

Tax. All the Group companies are in full compliance with applicable tax laws and regulations.

Tax	Unit	2023	2022	2021	Δ (2022/2023)
State tax paid					
Lithuania		553.9	562.5	277.5	(1.5%)
Latvia		19.8	53.3	15.1	(62.9%)
Estonia	EURm	1.9	1.3	0.9	46.2%
Poland		-[1]	9.7	1.6	-
Finland		33.1	37.2	0.01	(11.0%)

[1] *At the end of the reporting period, the total amount of taxes paid in Poland amounted to a negative value, with a significant portion being refunded in accordance with National Law.*

The Group is a responsible taxpayer. We understand and recognise the importance of how the taxes we pay contribute to the countries we operate in. The Group and its entities respect the principle of legality by complying with the tax laws of the countries where the Group operates, ensuring that the purpose of the applicable tax rules or system is respected.

For further information, see 'Financial statements'.

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> **Methodology**
>
> **Suppliers audited for compliance with the Supplier Code of Ethics.** Suppliers were selected for the assessment of compliance with Suppliers Code of Ethics provisions based on the following criteria:
>
> a) Suppliers whose value of procurement contracts in Group companies is the largest and at least one concluded contract is valid for at least 6 months from the start of the planned assessment of suppliers. Only those suppliers whose one or more procurement contract was signed after 1 of August 2021 were included in the scope of inspected suppliers.
>
> b) The total value of the procurement contracts of the selected suppliers in the Group company(s) is not less than 95 percent of the total value of the procurement contracts of the suppliers.
>
> **Procurement indicators** are calculated in a same way – dividing the value of each indicator by the value of all procurements. The data is taken from the Group's internal procurement systems.

Suppliers	Unit	2023	2022	2021	Δ (2022/2023)
Share of suppliers complying with the Supplier Code of Ethics[1]	%	87	92.7	>90	(5.7 pp)
Suppliers audited for compliance with the Supplier Code of Ethics by value	Units	120	71	n/a	49
	%	95	≥ 80	n/a	15 pp

[1] *The requirement to comply with the Supplier Code of Ethics is included in standard contract forms since the end of July 2021.*

Procurement	Unit	2023	2022	2021	Δ (2022/2023)
Share of green procurement by value[1]	%	100	94.2	24.1	5.8 pp
Share of socially responsible procurement by value	%	56	13.0	n/a	43 pp
Share of procured value for which supplier screenings were conducted as part of procurement procedures	%	97.3	>99.0	94.2	(1.8 pp)
Share of published procurements that received only one bid	%	22.8	27.7	15.3	(4.9 pp)
Information on the Group's public procurement:					
Share of purchases made via public procurements	%	96.2	93.8	88.3	2.4 pp
Share of purchases (including unpublished ones) with only one bid received	%	28.2	~ 35	~ 17	(6.8 pp)
Share of public purchases for local suppliers	%	95.3	~ 90	~ 70	5.3 pp

[1] *The principles of green procurement have been applied in the Group's procurement since July 2021.*

A total of 58% of the suppliers invited to take part in the assessment responded to the Supplier Code of Ethics compliance monitoring questionnaire.

The share of the Group's green procurement in 2023 increased by 6 percent compared to 2022 and reached 100 percent. Since 2022, the Group has been actively implementing socially responsible procurement practices and, during the reporting period, socially responsible procurement accounted for more than half of all public procurement. This year, the analysis of social responsibility was our main focus, with 68% of the questionnaire items dedicated to an in-depth assessment of this area, 21% to the environmental area and 11% to business ethics and governance. Read more information about our procurement practises in section '6.2 Environment', '6.3 Social' and '6.4 Governance' of this report.

6.6 Disclosures under the EU Taxonomy Regulation

Eligibility assessment

Since 2021, the Group has been applying the provisions of Regulation (EU) 2020 / 852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment (Taxonomy Regulation). The Taxonomy Regulation lays down a classification and investment screening system for environmentally sustainable economic activities aiming to create transparency on environmental performance of the companies.

For the 2021 fiscal year, the Group provided disclosures under simplified rules of Taxonomy-eligible economic activities and their share of required KPIs: capital expenditures (Taxonomy CAPEX), operating expenses (Taxonomy OPEX) and revenue. In addition, the Group voluntarily discloses its Adjusted EBIDTA. Since 1 January 2023, the Group is disclosing a share of previously mentioned KPIs from Taxonomy-aligned economic activities.

In 2023, a new set of Taxonomy Regulation criteria for economic activities making a substantial contribution to one or more of the non-climate environmental objectives has been adopted while updating the list of Taxonomy-eligible activities. This update has not had any impact on the list for the Taxonomy-eligible activities of the Group as no corresponding activities had been identified in this Environmental Delegated Act.

Taxonomy-eligible and -aligned activities of the Group in 2023 include:

			Taxonomy-aligned
Taxonomy-eligible	Corresponding activity in the Group	Business segments	Mitigation
4.1 Electricity generation using solar photovoltaic technology	Solar parks	Green Generation	✓
4.3 Electricity generation from wind power	Wind farms	Green Generation	✓
4.5 Electricity generation from hydropower	Kaunas HPP[1]	Green Generation	✓
4.9 Transmission and distribution of electricity (including Smart metering)	Electricity distribution	Networks	✓
4.10 Storage of electricity	Kruonis PSHP[1]	Green Generation	✓
4.20 Cogeneration of heat/cool and power from bioenergy	Vilnius CHP biomass	Green Generation	✓
4.24 Production of heat/cool from bioenergy	Elektrėnai biomass unit	Reserve Capacities	✓
4.29 Electricity generation from fossil gaseous fuels	7, 8 and CCGT[1]	Reserve Capacities	
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	Renting, leasing and operation of vehicles	Other	
6.15. Infrastructure enabling low-carbon road transport and public transport	EV network	Customers & Solutions	✓
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	EV installation	Customers & Solutions	✓
7.6 Installation, maintenance and repair of renewable energy technologies	PV installation	Customers & Solutions, Green Generation	✓
7.7 Acquisition and ownership of buildings	Rental of buildings	Other	

[1] Kruonis PSHP, Kaunas HPP (both Green Generation) and Elektrėnai Complex (incl. CCGT, units 7 and 8) provide ancillary and balancing services to the transmission system operator (TSO) that are included as part of the activity operation. More on 'Services necessary to ensure the reliability of the Lithuanian electricity system' read in section '6.3 Social' of this report.

Taxonomy-non-eligible economic activities of the Group include supply of electricity and natural gas, distribution of natural gas, cogeneration of heat / cool and power from waste and and other activities that are not significant at the Group level.

As reported in the EU Taxonomy report in 2022, two services (lighting modernisation projects and installation of heat pumps), which were previously reported under Taxonomy-aligned activities '7.3 Installation, maintenance and repair of energy efficiency equipment' and '7.6 Installation, maintenance and repair of renewable energy technologies', were terminated, thus are not reported in the table above. Nonetheless, accruals and warranty services might still be ongoing, therefore all related figures for 2022 and 2023 are treated as Taxonomy-non-eligible. In addition, EV network is disclosed under activity '6.15 Infrastructure enabling low-carbon road transport and public transport' instead of under activity 4.9 (b) construction and operation of electric vehicle (EV) charging stations and supporting electric infrastructure for the electrification of transport.

Alignment assessment

All Taxonomy-eligible activities of the Group identified in the EU Taxonomy Delegated Acts were analysed in determining substantial contribution and DNSH technical screening criteria. This year's assessment evaluated climate change mitigation objective, which is more relevant for our activities at this moment.

Substantial contribution to climate change mitigation

Activities 4.1, 4.3, 4.10, 7.4, 7.6 (a) automatically fulfil the substantial contribution criteria to climate change mitigation as the Group operates them in the manner requested by the criteria. Activity 4.5 meets substantial contribution criteria as the lifecycle GHG emissions from the generation of electricity from hydropower are lower than 100g CO_2e/kWh. Activity 4.9 is part of the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems, meaning this activity of the Group meets substantial contribution criteria. Activities 4.20 and 4.24 use biomass compliant with criteria laid down in Article 29(2–7) of Directive (EU) 2018/2001 and complies with the GHG emission savings criteria. Activity 6.15 is dedicated to the operation of vehicles with zero tailpipe CO_2 emissions and creating a network of electric charging points, thus meet substantial contribution criteria as well.

Activities 4.29, 6.5 and 7.7 does not meet substantial contribution criteria and are not assessed for DNSH further, thus reported under not aligned.

Do no significant harm (DNSH)

We have assessed and documented compliance with DNSH technical screening criteria laid down for the climate change mitigation. This assessment was conducted for all activities that meet substantial contribution criteria for mitigation.

Climate change adaptation

Climate change poses a significant challenge to the resilience of the energy sector, increasing the likelihood of climate-related physical risks. In response, the Group has fully integrated climate risk management into its overall risk management process. This includes identifying climate risks, developing risk management strategies and measures, and selecting key risk indicators. Additionally, the Group provides training and consultation to its employees on climate risks and their potential impact on business and processes. This comprehensive approach enables the Group to effectively identify and manage climate-related risks.

For more on ESG risks, read section '4.7 Risk Management' of this report and, for more on climate change adaptation, read section '6.2 Environment' of this report. Additional information is available in the EU Taxonomy report 2023.

Sustainable use and protection of water and marine resources

All activities that are legally required to conduct Environmental Impact Assessments (EIAs) or screening of Environmental Impact Assessment (EIA screening) meet the criteria to ensure that the potential impacts on water resources are avoided, mitigated and addressed appropriately. We follow additional legal requirements in terms of hydropower and storage of electricity activities and their impact on water resources.

For more on water and marine resources, read section '6.2 Environment' of this report. Additional information is available in the EU Taxonomy report 2023.

Transition to a circular economy

Where it is feasible, we prioritise selecting highly durable materials and embracing reuse and recycling, when possible. We promote the rational and sustainable use of resources and materials. Also, we have internal waste management processes in place, and we constantly seek to improve our waste management practices.

For more on resource use and circular economy, read section '6.2 Environment' of this report. Additional information is available in the EU Taxonomy report 2023.

Pollution prevention and control

For all activities that we are legally required to conduct Environment Impact Assessments (EIAs) or screening of Environmental Impact Assessment (EIA screening), pollution requirements are integrated into their pollution permit conditions to ensure that potential pollution impacts are avoided, mitigated and addressed appropriately. Considering them and all the additional air pollution monitoring we exercise, our activities meet this criterion.

For more on pollution, read section '6.2 Environment' of this report. Additional information is available in the EU Taxonomy report 2023.

Protection and restoration of biodiversity and ecosystems

For all activities that we are legally required to conduct Environment Impact Assessment (EIA) or screening of Environmental Impact Assessment (EIA screening) we ensure that potential impact on biodiversity and ecosystems is avoided, mitigated, and addressed appropriately.

For more on biodiversity and ecosystems, read section '6.2 Environment' of this report. Additional information is available in the EU Taxonomy report 2023.

Minimum social safeguards

The Group conducts activities by ensuring the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The Group respects human rights and has established both the Group Code of Ethics and the Group Supplier Code of Ethics. Under the Code of Ethics, the Group is committed to respect and protect human rights and freedoms, recognised in national and international legislation, disseminate and foster democratic values in accordance with the guidelines set forth in the Universal Declaration of Human Rights and International Labour Organization Conventions (including conventions on the worst forms of child labour, maternity protection, etc.). The Group Supplier Code of Ethics sets out the minimum standards of business conduct that we expect all our suppliers to adhere to and, where possible, exceed. We request our suppliers to carry out their activities under the Group Supplier Code of Ethics, including the suppliers respecting and protecting the human rights and freedoms.

In addition to that, the Group People and Culture Policy, Equal Opportunity and Diversity Policy, Occupational Health and Safety Policy, Anti-Corruption Policy, Market Abuse Prevention Policy and Information Security Policy cover different aspects of human rights or other aspects of social safeguards that are at the highest importance to the Group. Please find the list of Group's public policies available here.

Together with our good governance practices and policies mentioned above, the Group implements ongoing systematic due diligence approach, encompassing identification, prevention, mitigation and accountability steps to ensure that we have robust minimum safeguards in place on human rights, anti-corruption, taxation, and fair competition. For more information on impact assessments and stakeholder involvement, read section '6.1 Sustainability overview', more on social impacts, read section '6.3 Social', more on business conduct, read section '6.4 Governance', more on risk management, read section '4.7 Risk Management'.

Accounting policies

Main principles

Our accounting methodology for calculating the key performance indicators required to be disclosed by the EU Taxonomy Regulation (KPI) is based on the Group's best interpretation of the EU Commission Delegated Regulation 2021/2178 and the currently available guidelines from the European Commission. With regards to the limited industry specific guidance, the Group made several assumptions to practically implement the Taxonomy Regulation. With the new official guidance from the European Commission or the industry's best practices, these assumptions will be amended and disclosed accordingly, if needed.

While the EU Taxonomy Regulation requires to disclose the share of revenue, Taxonomy OPEX and Taxonomy CAPEX KPIs that are Taxonomy-aligned or/and Taxonomy-eligible, the Group voluntarily discloses the Adjusted EBITDA metric as it provides coherence with other KPIs and better reflects how much the Group's growth is linked to sustainable activities (as defined by the EU Taxonomy Regulation).

Taxonomy-eligible/aligned KPIs are calculated as the KPIs associated to each specific Taxonomy-eligible/aligned activity and divided by Group's total KPIs. While calculating the numerators, KPIs were allocated to Taxonomy-eligible/aligned activities based on the eligibility and the alignment analysis described in previous paragraphs. The assumption was made that any revenue, Adjusted EBITDA, Taxonomy OPEX, or Taxonomy CAPEX that can be justifiably linked to an identified Taxonomy-eligible/aligned economic activity can be classified as Taxonomy-eligible/aligned accordingly. Revenue and Adjusted EBITDA KPIs are directly linked to the ratios used in the Group's Integrated Annual Report and financial statements, whereas Taxonomy OPEX and Taxonomy CAPEX refers to the type of costs or additions required by the EU Taxonomy Regulation. For the consolidated EU Taxonomy figures, consolidation adjustments are mostly made in line with principles used in the Consolidated financial statements.

Double counting

All reported Taxonomy KPIs exclude double counting, as each KPI is allocated to different activities, which are either independent or proxies, to split the financial numbers into the applicable Taxonomy-eligible/aligned activities. In addition to this, intra-group transactions were eliminated where needed to avoid double counting. The Group considers that all its Taxonomy-eligible economic activities contribute to a climate change mitigation, therefore, they are reported only under this objective.

Proxies

Where the financial numbers cannot be directly allocated to a specific activity, proportional accounting has been used for the allocation. Proportional accounting is mostly related to the indirect costs. For the proportional accounting, 'employee hours worked' was used as the main proxy. This proxy is calculated taking into consideration historical and current data on employees' resources dedicated to an activity.

Calculation of Taxonomy-eligible/aligned revenue

As it is defined in the EU Commission Delegated Regulation 2021/2178, the share of the Group's Taxonomy-eligible/aligned revenue is calculated as the revenue derived from products or services associated with Taxonomy-eligible/aligned economic activities divided by the Group's total revenue (see '8.1 Consolidated statement of profit or loss').

Revenue associated with the storage of electricity, electricity generation from hydropower, fossil gaseous fuels, wind power, cogeneration of heat/cool and power from bioenergy includes total revenue associated with Kruonis PSHP, Kaunas HPP, CCGT, units 7 and 8 at Elektrėnai Complex, wind farms and Vilnius CHP biomass unit including the revenue of balancing activities and/or hedging, and/or regulatory activities, where the result includes figures not necessarily from the generation of electricity (for more information on regulatory activities, see section '6.3 Social' of this report). Exceptions were made for 2023 when classifying the sale of natural gas (EUR 30.9 million) as Taxonomy-non-eligible as it was acquired for fixing a positive forward Clean Spark spread, but the transaction was mainly closed without physical delivery, and for 2022 when classifying as Taxonomy-non-eligible one-off revenues (EUR 64.6 million) received for isolated regime services, which covered the expenses incurred for the acquisition of an additional gas reserve.

Revenue associated with electricity distribution and transmission includes revenue from transmission activities, where the Group only provide "pass-through" services. Revenue associated with electricity generation from wind power and hydropower is mainly related to the sales of electricity, whereas part of it was sold via Customers & Solutions segment (intra-group sales). However, revenue related with these intra-group sales was not eliminated from the numerator, considering that it refers to electricity produced using technologies that meet the technical screening criteria of the EU Taxonomy Regulation and avoids double-counting as it was counted only once for the Green Generation segment's result, whereas the electricity supply (relevant Customers & Solutions segment's figures) was represented as being not eligible. The same logic has been applied to other transactions where necessary while ensuring that there is no double counting.

Calculation of Taxonomy-eligible/aligned Taxonomy CAPEX

As it is defined in the EU Commission Delegated Regulation 2021/2178, the share of the Group's Taxonomy-eligible/aligned CAPEX is calculated as the CAPEX related to assets or processes associated with Taxonomy-eligible/aligned economic activities as a proportion of the total Group's Taxonomy CAPEX, which is calculated based on IAS 16 (73: I (i) and (iii)), IAS 38 (118: (e) (i)), IAS 40 (76: (a)), and IFRS 16 (53: (h)) (see section '8 Consolidated financial statements', 11 Intangible assets (under 'Additions' and 'Acquisition through business combination'), 12 Property, plant and equipment (under 'Additions' and 'Acquisition through business combination'), 13 Right-of-use assets (under 'Additions')). Goodwill acquired through business combinations is excluded from the Taxonomy CAPEX KPI.

In this report, Taxonomy CAPEX related to Taxonomy-aligned activities was disclosed as follows, based on the circumstances:

- If the asset has become operational during the reported financial period, Taxonomy-aligned CAPEX related to expansion was reported under 'Taxonomy CAPEX A'.
- If the expansion has not been completed in the year 2023 and the project was included in the Taxonomy CAPEX plan (see part 'Taxonomy CAPEX Plan 2023' below), Taxonomy-aligned CAPEX was reported under 'Taxonomy CAPEX B'.
- If the Taxonomy CAPEX was related to Taxonomy-aligned activities, but the project development phase is too early to provide necessary description, this Taxonomy CAPEX was treated as Taxonomy-eligible but not aligned.
- If the taxonomy CAPEX is related to activities where the amount of investment is small or fractional and, therefore, the timeframe to become partially/fully operational is short (e.g. electricity network expansion/maintenance, EV network expansion, smart meter investments, etc.), it was reported under 'Taxonomy CAPEX A', assuming that 1) there is no or insignificant risk of non-completion and 2) compliance with the technical screening criteria (TSC) is determined through the general assessment of the Taxonomy-eligible activities.

It should be noted that total Investments reported by the Group in 2023 were EUR 937.1 million, whereas total Taxonomy CAPEX – EUR 870.4 million. The difference emerges as Taxonomy CAPEX includes additions to the right-of-use assets and part of contingent considerations reported under Intangible assets which are not reported under Investments. Whereas Investments reported by the Group include goodwill, prepayments for property, plant, and equipment, additions of other financial assets and capital granted which are not reported under Taxonomy CAPEX. For detailed definition of Taxonomy CAPEX and Investments formulas, see section '7.3 Alternative performance measures' of this report.

Calculation of Taxonomy-eligible/aligned Taxonomy OPEX

As it is defined in the EU Commission Delegated Regulation 2021/2178, the share of Group's Taxonomy-eligible/aligned OPEX is calculated as the Taxonomy OPEX related to assets or processes associated with Taxonomy-eligible/aligned economic activities as a proportion of the total Group's Taxonomy OPEX.

Taxonomy OPEX numerator includes operational expenses related to repairs & maintenance and short-term lease, whereas denominator additionally includes IT maintenance costs. Currently, the scope of OPEX included in the Article 8 of the Disclosures Delegated Act is open to interpretation, and there is a lack of industry specific guidelines providing appropriate inclusions, therefore, the Group calculated Taxonomy OPEX with currently available information. Due to the lack of precise allocation tools within the Group's accounting system, several limitations were determined while calculating Taxonomy OPEX (see paragraph 'Limitations' below). However, in the further reporting periods, the Group is planning to fine-tune current processes to provide more precise disclosures.

It shall be noted, that the total OPEX reported by the Group in 2023 was EUR 275.9 million, whereas the total Taxonomy OPEX – EUR 71.5 million. The difference emerges as the Taxonomy OPEX only includes repairs and maintenance expenses, short-term lease expenditures and IT maintenance expenses but excludes salaries and other expenses. For detailed definition of Taxonomy OPEX and OPEX formulas, see section '7.3 Alternative performance measures' of this report.

	Investments APM	Taxonomy CAPEX APM
Additions of property, plant and equipment (PPE), including acquisitions through business combinations	✓	✓
Additions of Intangible assets (IA), including acquisitions through business combinations, except goodwill and contingent considerations	✓	✓
Goodwill	✓	
Contingent considerations (business combinations)		✓
Additions of investment property, including acquisitions through business combinations	✓	✓
Additions of right-of-use assets		✓
Additions of other financial assets, including acquisitions through business combinations	✓	
Prepayments for property, plant, and equipment (PPE) and non-current assets reclassified to additions of property, plant and equipment (PPE) or intangible assets (IA)	✓	
Capital granted (related with development projects with no controlling interest by the Group)	✓	

	OPEX APM	Taxonomy OPEX APM
Salaries and related expenses	✓	
Repair and maintenance expenses	✓	✓
Other expenses	✓	Only IT maintenance and short-term lease

Calculation of Taxonomy-eligible/aligned Adjusted EBITDA

Taxonomy-eligible/aligned Adjusted EBITDA is disclosed on a voluntary basis and calculated based on the methodology determined by the Group as it is not part of the EU Commission Delegated Regulation 2021/2178. The share of the Group's Taxonomy-eligible/aligned Adjusted EBITDA is calculated as the Adjusted EBITDA associated with Taxonomy-eligible/aligned economic activities divided by the Group's total Adjusted EBITDA (see section '3.1 Annual results', part 'EBITDA), which is calculated as it is described in the section '7.3 Alternative performance measures'. Inclusions and adjustments have been made mostly based on the principles described in the section above 'Calculation of Taxonomy-eligible/aligned revenue' and proxies were used, where appropriate.

Changes in calculations

Previously, the Group used different proxies for the proportional accounting but, starting from 2023, 'employee hours worked' was used as the main unified proxy across the Group companies. The figures of 2022 were recalculated respectively. The Group's management believes that the unified proxy approach provides a more reliable representation of the consolidated data as the type of the indirect costs allocated to the activities using proxies is largely similar in nature.

The inclusions of revenue linked to the activity '4.9 Transmission and distribution of electricity' were reviewed and additionally include revenue related to the new connection points and upgrades and electrical equipment dismantling, which was previously treated as Taxonomy-non-eligible part of revenue. The figures for 2022 were recalculated respectively. Inclusions of Adj. EBITDA were reviewed respectively, consolidation adjustment related to new connection points and upgrades and minor changes related to the result of other activities were made for both reporting and comparative periods. In our assessment, the mentioned changes provide a more precise picture of the electricity distribution activity.

In 2023 two services (lighting modernisation projects and installation of heat pumps), which were reported under Taxonomy-aligned activities '7.3 Installation, maintenance and repair of energy efficiency equipment' and '7.6 Installation, maintenance, and repair of renewable energy technologies', have been terminated. Therefore, starting with Integrated Annual Report 2023, they are reported as Taxonomy-non-eligible for both 2023 and 2022. Even though accruals and warranty service might still be ongoing, all related figures are treated as Taxonomy-non-eligible in calculations. Nevertheless, these activities are not significant at the Group level (less than 0.05% of the total 2022 revenue).

For the activity '6.5 Transport by motorbikes, passenger cars and light commercial vehicles' consolidation adjustments and Taxonomy OPEX allocations were amended to provide a more accurate result. Taxonomy CAPEX related to activities '6.15. Infrastructure enabling low-carbon road transport and public transport' and '7.6 Installation, maintenance and repair of renewable energy technologies' was revised for 2022 as previously it was not fully included in the numerator. Consolidation adjustments for Adjusted EBITDA were revised to be in line with the principles used in Consolidated financial statements. Other minor changes are related to a more precise assessment of intercompany transactions, adjustments related to a more precise allocation of revenue, Adj. EBITDA, Taxonomy OPEX and CAPEX in the numerator.

Limitations

There are Taxonomy-eligible/aligned activities in the Group which are not significant in terms of financial numbers and whose figures cannot be clearly separated, therefore, the Group did not include those figures in the numerator while calculating KPIs for these activities. For instance:

- The share of Taxonomy OPEX/CAPEX related to an acquisition and ownership of buildings is associated only with buildings rented out for the third parties and does not include operating/capital expenses of administration buildings as the majority of administration buildings used by the Group are rented, and the residual is immaterial and/or an integral part of generation units.
- Another limitation refers to transport vehicles which are mostly owned by one company in the Group (the figures are reported under the activity '6.5 Transport by motorbikes, passenger cars and light commercial vehicles'), however some other companies also own several vehicles. Due to the complexity of the separation, we classify the financial figures related to these single vehicles as Taxonomy-non-eligible. However, it must be noted that the related figures are not significant.

There are also temporary limitations to the Taxonomy OPEX calculations, which include the following:

- Due to the lack of industry specific guidelines and precise allocation tools within the Group's accounting system, we cannot objectively evaluate the type of IT maintenance cost that could be justifiably included; thus, we use a conservative approach and include all IT maintenance costs to the denominator but do not include any costs to the numerator.
- Due to the same reasons, operational expenses related to the cost of employees servicing the assets to ensure the functioning of these assets are not included neither in the numerator, nor in the denominator. This approach was also applied for the repairs & maintenance expenses of transport vehicles, which, due to a few limitations of the current accounting system, cannot be separated from the related expenses that are not under the scope of Taxonomy OPEX. However, it is not expected that this addition would have a significant impact at the Group level.

In further reporting periods, the Group is planning to implement appropriate proxies to ensure a more precise reflection and consistent application of Taxonomy OPEX.

Contextual information about Taxonomy Regulation KPIs

Revenue KPI

Taxonomy-eligible share of revenue in 2023 was 31.5% (or EUR 804.0 million) and increased by 6.8 pp compared to 2022, whereas Taxonomy-aligned share was 27.9% (or EUR 710.8 million) and increased by 7.0 pp.

The key drivers behind the Taxonomy-aligned share of revenue increase were:

- the decrease in revenue of Taxonomy-non-eligible activities (EUR -1,558.2 million), which was majorly driven by lower revenue from electricity and natural gas supply due to the drop in market prices and volumes supplied;
- the increase was partly offset by the decrease in i) revenue (EUR -137.7 million) from storage of electricity, electricity generation from hydropower and wind power (Taxonomy-aligned activities) due to lower captured electricity prices, and ii) revenue (EUR -74.6 million) of electricity transmission and distribution (Taxonomy-aligned activity), mostly due to lower revenue from the transmission of electricity due to lower tariffs set by the regulator.

The difference between Taxonomy-eligible and Taxonomy-aligned revenues is mainly affected by the revenue from electricity generation from fossil gaseous fuels, which in 2023 decreased by EUR -73.5 million, mainly due to less favourable market conditions for generation.

The numerator of the Taxonomy-aligned revenue in 2023 consists of:

- revenue from contracts with customers, amounting to EUR 710.8 million;
- other revenue, amounting to EUR 0.01 million.

In 2023 there were no significant amounts related to Taxonomy-aligned activities pursued for Group's own internal consumption.

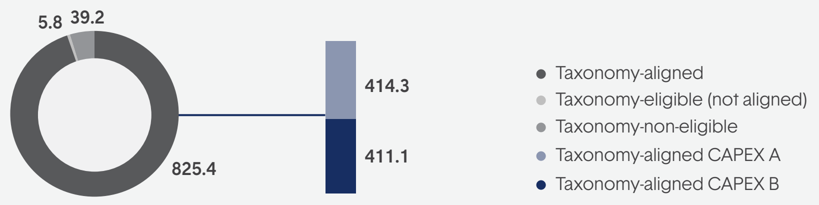
Throughout the reporting period, the Group has not issued new environmentally sustainable bonds or debt securities with the purpose of financing Taxonomy-aligned activities. Nevertheless, it must be noted that the Group has issued two green bonds in 2017 and 2018, and part of the funds were used to finance Taxonomy-aligned activities.

Taxonomy CAPEX KPI

Taxonomy-eligible share of Taxonomy CAPEX in 2023 was 95.5% (or EUR 831.2 million) and increased by 5.1 pp compared to 2022. Taxonomy-aligned share of Taxonomy CAPEX in 2023 was 94.8% (or EUR 825.4 million) and increased by 4.8 pp compared to 2022. Taxonomy CAPEX related to Taxonomy-aligned activities increased by EUR 467.2 million.

Taxonomy-aligned share of Taxonomy CAPEX A (allocated under point A[1]) amounted to 47.6% (or EUR 414.3 million) of Taxonomy CAPEX, whereas Taxonomy-aligned share of Taxonomy CAPEX B (allocated under point B[1], included in the Taxonomy CAPEX plan), was 47.2% (or EUR 411.1 million).

Taxonomy CAPEX APM **2023,** EURm



The main drivers related to the increase in Taxonomy-aligned Taxonomy CAPEX were:

- in 2023 additions related to property plant and equipment of Taxonomy-aligned activities amounted to EUR 655.9 million and were EUR 352.2 million higher compared to 2022. Taxonomy-aligned property, plant, and equipment additions in 2023 were mostly related to the investments into electricity distribution grid (expansion, maintenance, smart meters), electricity generation from wind power (mostly Investments in new wind farms), electricity generation using solar photovoltaic technology (Investments in new solar parks), cogeneration of heat/cool and power from bioenergy (construction of Vilnius CHP biomass unit) and overhaul works in Kruonis PSHP;
- additions of intangible assets related to Taxonomy-aligned activities during 2023 amounted to EUR 17.3 million, which was EUR 1.9 million lower compared to 2022. The decrease of Taxonomy-aligned additions of intangible assets in 2023 is related to Investments in solar parks;
- in 2023 Taxonomy-aligned acquisitions through business combinations amounted to EUR 148.3 million and were EUR 113.8 million higher compared to 2022. Taxonomy-aligned additions were related to solar park and wind farm development projects (mostly licenses and rights to produce electricity);
- in 2023 Taxonomy-aligned additions related to right-of-use assets accounted for EUR 3.9 million and were EUR 3.1 million higher compared to 2022, mainly due to investments into wind farm development projects.

Throughout the reporting period, the Group has not issued new environmentally sustainable bonds or debt securities with the purpose of financing Taxonomy-aligned activities. Nevertheless, it must be noted that the Group has issued two green bonds in 2017 and 2018, where part of the funds was used to finance Taxonomy-aligned activities.

[1] *As it is determined in the Section 1.1.2.2. in the Annex I of the EU Commission Delegated Regulation 2021/2178.*

Taxonomy CAPEX plan 2023

As it is defined in the Annex I (section 1.1.2.2.) to the EU Commission Delegated Regulation 2021/2178 and the related guidelines, the Taxonomy CAPEX plan has been prepared for the part of the Taxonomy CAPEX, where investments to Taxonomy-aligned activities have been made in the financial period while the expansion has not yet been completed. For more detailed information about inclusions in the CAPEX plan, see section 'Calculation of Taxonomy-eligible/aligned Taxonomy CAPEX' above.

It should be noted that the Taxonomy CAPEX plan includes several projects at an early stage of development for which the final investment decision has not yet been taken. Therefore, if the final investment decision were not taken, the Taxonomy CAPEX plan would be adjusted accordingly.

Taxonomy CAPEX plan does not include potential future investments for the expansion of a Taxonomy-aligned activity that has not yet been started but might or might not be started in the future. It is also worth noting that the actual Taxonomy CAPEX amount incurred might differ from the estimates provided for future periods in the CAPEX plan due to 1) external and internal factors (including but not limited to, inflation, project rescheduling, etc.), 2) differences in cash planned to be spent and additions to be recorded (under Taxonomy CAPEX formula), 3) the plan does not exclude potential inter-company transactions, etc.

Activity	Taxonomy CAPEX APM B in 2023, EURm	Investments 2024–2030, EURm	Start date of investments	Date of expansion	Total during 2023–2030, EURm
4.1 Electricity generation using solar photovoltaic technology	32.2	380.4	2021–2023	2024–2025	412.6
4.3 Electricity generation from wind power	320.9	3,199.1	2021–2023	2024–2030	3,520.0
4.10 Storage of electricity (Kruonis PSHP expansion)	0.6	149.4	2023	2026	150.0
4.20 Cogeneration of heat/cool and power from bioenergy	57.4	8.1	2015	2024	65.5
Total	**411.1**	**3,736.9**	**2015–2023**	**2024–2030**	**4,148.0**

The expansion period for the activity '4.3 Electricity generation from wind power' is longer than five years (but does not exceed 10 years) due to the investments in offshore and part of onshore wind farms. It is a common practice that the duration of projects for the construction of offshore wind farms is longer than 5 years. The longer duration of onshore wind farms is related to the early development phase when Taxonomy CAPEX was already incurred.

In terms of preparation for the alignment with TSC for climate change mitigation, actions have been already taken and differ depending on the stage of the project. These actions include but are not limited to different phases of EIA (preparation and initial start, in process, final decisions received, mitigation measures implementation or monitoring). In addition, a comprehensive environmental risk assessment was conducted or additional mitigation measures were taken.

Taxonomy OPEX KPI

Taxonomy-eligible share of Taxonomy OPEX in 2023 was 75.0% (or EUR 53.6 million) and increased by 1.9 pp compared to 2022. Taxonomy-aligned share of Taxonomy OPEX in 2023 was 67.0% (or EUR 47.9 million) and increased by 2.1 pp as Taxonomy-aligned OPEX was EUR 16.0 million higher compared to 2022.

The main drivers of the increase were:

- in 2023 repairs and maintenance expenses related to Taxonomy-aligned activities amounted to EUR 47.3 million and were EUR 16.1 million higher compared to 2022. The increase was mostly related to the electricity distribution activities, mainly due to the increased costs of both contractor fees and materials (full year effect in 2023);
- in 2023 short-term lease expenditures associated with Taxonomy-aligned activities amounted to EUR 0.5 million and decreased slightly (EUR -0.1 million) compared to 2022;
- IT maintenance expenses increased by EUR 1.6 million and are all reported as Taxonomy-non-eligible (included in the denominator only), thus have a negative effect on the Taxonomy-aligned OPEX KPI.

The difference between Taxonomy-eligible and Taxonomy-aligned OPEX is mostly due to the Taxonomy-OPEX related to electricity generation from fossil gaseous fuels, which is not Taxonomy-aligned.

Maintenance materials are reported together with other repairs and maintenance operational expenses. IT maintenance costs are included in the denominator only, whereas the salary expenses relating to the day-to-day servicing of the assets and the transport vehicle repair expenses are not included neither in the numerator nor in the denominator but are planned to be included in further reports with a fine-tuned reporting process.

Adjusted EBITDA KPI

Taxonomy-eligible share of Adjusted EBITDA in 2023 was 66.1% (or EUR 320.5 million) and decreased by 14.1 pp compared to 2022. Taxonomy-aligned share of Adjusted EBITDA in 2023 was 61.4% (or EUR 297.7 million) and decreased by 11.4 pp compared to 2022.

The decrease of Taxonomy-aligned share of Adjusted EBITDA was mostly driven by:

- the increase of the share generated by Taxonomy-non-eligible activities (EUR +71.2 million), mostly due to the higher Adj. EBITDA of electricity and natural gas supply businesses (Customers & Solutions segment), CHP waste-to-energy units (Green Generation segment) and a significant transaction made by Reserve Capacities segment (EUR +27.4 million), which was treated as Taxonomy-non-eligible because it was mostly made without physical delivery of electricity;
- lower Adjusted EBITDA of electricity generation from wind power, hydropower, storage of electricity, mainly due to lower captured electricity prices;
- partly offset by higher Adjusted EBITDA of distribution of electricity, which was mainly driven by the higher RAB effect.

The decrease in Taxonomy-eligible Adjusted EBITDA was higher compared to Taxonomy-aligned Adjusted EBITDA, mainly due to the lower result of electricity generation from fossil gaseous fuels (EUR -11.7 million), which is not Taxonomy-aligned.

Explanation of abbreviations (notes for the tables in the following pages)

Substantial contribution criteria	Y	Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
	N	No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
	N/EL	Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective
	EL	Taxonomy-eligible activity for the relevant objective
DNSH criteria and Minimum safeguards	Y	Yes
	N	No
Objective	CCM	Climate change mitigation
	CCA	Climate change adaptation

Revenue under the Taxonomy Regulation

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria									
Economic activities under the Taxonomy Regulation	**Codes**	**Revenue**	**Proportion of revenue**	**climate change mitigation**	climate change adaptation	water	pollution	circularity	biodiversity	climate change mitigation	climate change adaptation	water	pollution	circularity	biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned or eligible revenue 2022	Category enabling activity	Category transitional activity
		EURm	%	**Y; N; N/EL**	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation using solar photovoltaic technology	CCM 4.1 / CCA 4.1	-	-	**Y**	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	-	-	-
Electricity generation from wind power	CCM 4.3 / CCA 4.3	44.1	1.7%	**Y**	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1.4%	-	-
Electricity generation from hydropower	CCM 4.5 / CCA 4.5	61.3	2.4%	**Y**	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1.9%	-	-
Transmission and distribution of electricity	CCM 4.9 / CCA 4.9	470.8	18.5%	**Y**	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	12.4%	E	-
Installation of equipment such as, but not limited to future smart metering systems or those replacing smart metering systems in line with Article 19(6) of Directive (EU) 2019/944 of the European Parliament and of the Council	CCM 4.9 (f)	-	-	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	-	E	-
Storage of electricity	CCM 4.10 / CCA 4.10	103.6	4.1%	**Y**	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	4.6%	E	-
Cogeneration of heat/cool and power from bioenergy	CCM 4.20 / CCA 4.20	7.5	0.3%	**Y**	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	-	-	-
Production of heat/cool from bioenergy	CCM 4.24 / CCA 4.24	4.7	0.2%	**Y**	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.1%	-	-
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15	0.9	0.0%	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.0%	E	-
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4 / CCA 7.4	0.2	0.0%	**Y**	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.0%	E	-
Installation, maintenance and repair of renewable energy technologies	CCM 7.6 / CCA 7.6	17.7	0.7%	**Y**	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.4%	E	-

[1] *The primary objective of our activities is to contribute to climate change mitigation, therefore they are not fully assessed for climate change adaptation and disclosed as not aligned.*

Revenue under the Taxonomy Regulation (cont.)

Financial year 2023		**2023**		**Substantial contribution criteria**						**DNSH criteria**									
Economic activities under the Taxonomy Regulation	**Codes**	**Revenue**	**Proportion of revenue**	**climate change mitigation**	climate change adaptation	water	pollution	circularity	biodiversity	climate change mitigation	climate change adaptation	water	pollution	circularity	biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned or eligible revenue 2022	Category enabling activity	Category transitional activity
		millions of euro	%	**Y; N; N/EL**	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
Revenue of environmentally sustainable activities (Taxonomy-aligned) (A.1)		710.8	27.9%	**27.9%**	-	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	20.9%		
Of which Enabling		575.5	22.6%	**22.6%**	-	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	17.1%	E	
Of which Transitional		-	-	**-**						-	-	-	-	-	-	-	-		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Electricity generation from fossil gaseous fuels	CCM 4.29 / CCA 4.29	91.9	3.6%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								3.8%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5 / CCA 6.5	0.5	0.0%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Acquisition and ownership of buildings	CCM 7.7 / CCA 7.7	0.9	0.0%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Revenue of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		93.2	3.6%	**3.6%**	-	-	-	-	-								3.8%		
Revenue of Taxonomy-eligible activities (A.1 + A.2)		804.0	31.5%	**31.5%**	-	-	-	-	-								24.7%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Revenue of Taxonomy-non-eligible activities		1745.0	68.5%																
Total (A + B)		2549.1	100%																

Capital expenditure (Taxonomy CAPEX APM) under the Taxonomy Regulation

Financial year 2023		2023		Substantial contribution criteria						DNSH criteria									
Economic activities under the Taxonomy Regulation	Codes	Taxonomy CAPEX	Proportion of Taxonomy CAPEX	climate change mitigation	climate change adaptation	water	pollution	circularity	biodiversity	climate change mitigation	climate change adaptation	water	pollution	circularity	biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned or eligible Taxonomy Capex 2022[2]	Category enabling activity	Category transitional activity
		EURm	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation using solar photovoltaic technology (CAPEX A)	CCM 4.1 / CCA 4.1	-	-	Y	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	2.4%	-	-
Electricity generation using solar photovoltaic technology (CAPEX B)	CCM 4.1 / CCA 4.1	32.2	3.7%	Y	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y		-	-
Electricity generation from wind power (CAPEX A)	CCM 4.3 / CCA 4.3	69.5	8.0%	Y	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	11.2%	-	-
Electricity generation from wind power (CAPEX B)	CCM 4.3 / CCA 4.3	320.9	36.9%	Y	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y		-	-
Electricity generation from hydropower (CAPEX A)	CCM 4.5 / CCA 4.5	0.1	0.0%	Y	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.0%	-	-
Transmission and distribution of electricity (CAPEX A)	CCM 4.9 / CCA 4.9	287.0	33.0%	Y	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	57.5%	E	-
Installation of equipment such as, but not limited to future smart metering systems or those replacing smart metering systems in line with Article 19(6) of Directive (EU) 2019/944 of the European Parliament and of the Council (CAPEX A)	CCM 4.9 (f)	43.1	5.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	5.2%	E	-
Storage of electricity (CAPEX A)	CCM 4.10 / CCA 4.10	4.1	0.5%	Y	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.2%	E	-
Storage of electricity (CAPEX B)	CCM 4.10 / CCA 4.10	0.6	0.1%	Y	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y		E	-
Cogeneration of heat/cool and power from bioenergy (CAPEX A)	CCM 4.20 / CCA 4.20	-	-	Y	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	13.0%	-	-
Cogeneration of heat/cool and power from bioenergy (CAPEX B)	CCM 4.20 / CCA 4.20	57.4	6.6%	Y	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y		-	-

[1] *The primary objective of our activities is to contribute to climate change mitigation, therefore they are not fully assessed for climate change adaptation and disclosed as not aligned.*
[2] *As the CAPEX plan was not yet provided with the Annual report 2022, the Taxonomy CAPEX for 2022 has not been split between Taxonomy CAPEX A and B.*

Capital expenditure (Taxonomy CAPEX APM) under the Taxonomy Regulation (cont.)

Financial year 2023		2023		Substantial contribution criteria						DNSH criteria									
Economic activities under the Taxonomy Regulation	**Codes**	**Taxonomy CAPEX**	**Proportion of Taxonomy CAPEX**	**climate change mitigation**	climate change adaptation	water	pollution	circularity	biodiversity	climate change mitigation	climate change adaptation	water	pollution	circularity	biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned or eligible Taxonomy Capex 2022[2]	Category enabling activity	Category transitional activity
		EURm	%	**Y; N; N/EL**	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
Production of heat/cool from bioenergy (CAPEX A)	CCM 4.24 / CCA 4.24	0.0	0.0%	**Y**	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.1%	-	-
Infrastructure enabling low-carbon road transport and public transport (CAPEX A)	CCM 6.15	8.9	1.0%	**Y**	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.3%	E	-
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) (CAPEX A)	CCM 7.4 / CCA 7.4	-	-	**Y**	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	-	E	-
Installation, maintenance and repair of renewable energy technologies (CAPEX A)	CCM 7.6 / CCA 7.6	1.7	0.2%	**Y**	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.1%	E	-
Taxonomy CAPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		825.4	94.8%	**94.8%**	-	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	90.0%		
Of which Enabling		345.4	39.7%	**39.7%**	-	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	63.3%	E	
Of which Transitional		-	-	**-**						-	-	-	-	-	-	-	-		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities																			
Electricity generation using solar photovoltaic technology (not-aligned)[3]	CCM 4.1 / CCA 4.1	0.0	0.0%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								-		
Electricity generation from wind power (not-aligned)[3]	CCM 4.3 / CCA 4.3	0.1	0.0%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								-		
Electricity generation from fossil gaseous fuels	CCM 4.29 / CCA 4.29	5.6	0.6%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								0.4%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5 / CCM 6.5	0.1	0.0%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Acquisition and ownership of buildings	CCM 7.7 / CCA 7.7	-	-	**EL**	EL	N/EL	N/EL	N/EL	N/EL								-		
Taxonomy CAPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		5.8	0.7%	**0.7%**	-	-	-	-	-								0.4%		

[1] The primary objective of our activities is to contribute to climate change mitigation, therefore they are not fully assessed for climate change adaptation and disclosed as not aligned.
[2] As the CAPEX plan was not yet provided with the Annual report 2022, the Taxonomy CAPEX for 2022 has not been split between Taxonomy CAPEX A and B.
[3] Taxonomy CAPEX related to Taxonomy-aligned activities, where the project development phase is too early to provide the necessary description for the Taxonomy CAPEX plan, was treated as Taxonomy-eligible but not aligned.

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Capital expenditure (Taxonomy CAPEX APM) under the Taxonomy Regulation (cont.)

Financial year 2023		2023		Substantial contribution criteria						DNSH criteria									
Economic activities under the Taxonomy Regulation	Codes	Taxonomy CAPEX	Proportion of Taxonomy CAPEX	climate change mitigation	climate change adaptation	water	pollution	circularity	biodiversity	climate change mitigation	climate change adaptation	water	pollution	circularity	biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned or eligible Taxonomy Capex 2022[1]	Category enabling activity	Category transitional activity
		millions of euro	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
Taxonomy CAPEX of Taxonomy-eligible activities (A.1 + A.2)		831.2	95.5%	**95.5%**	-	-	-	-	-								90.4%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Taxonomy CAPEX of Taxonomy-non-eligible activities		39.2	4.5%																
Total (A + B)		870.4	100%																

[1] *As the CAPEX plan was not yet provided with the Annual report 2022, the Taxonomy CAPEX for 2022 has not been split between Taxonomy CAPEX A and B.*

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Operating expenses (Taxonomy OPEX APM) under the Taxonomy Regulation

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria									
Economic activities under the Taxonomy Regulation	Codes	Taxonomy OPEX	Proportion of Taxonomy OPEX	climate change mitigation	climate change adaptation	water	pollution	circularity	biodiversity	climate change mitigation	climate change adaptation	water	pollution	circularity	biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned or eligible Taxonomy OPEX 2022	Category enabling activity	Category transitional activity
		EURm	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation using solar photovoltaic technology	CCM 4.1 / CCA 4.1	-	-	Y	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	-	-	-
Electricity generation from wind power	CCM 4.3 / CCA 4.3	4.4	6.2%	Y	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	7.2%	-	-
Electricity generation from hydropower	CCM 4.5 / CCA 4.5	0.2	0.2%	Y	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.3%	-	-
Transmission and distribution of electricity	CCM 4.9 / CCA 4.9	42.2	59.0%	Y	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	56.6%	E	-
Installation of equipment such as, but not limited to future smart metering systems or those replacing smart metering systems in line with Article 19(6) of Directive (EU) 2019/944 of the European Parliament and of the Council	CCM 4.9 (f)	-	-	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	-	E	-
Storage of electricity	CCM 4.10 / CCA 4.10	0.5	0.8%	Y	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.6%	E	-
Cogeneration of heat/cool and power from bioenergy	CCM 4.20 / CCA 4.20	0.4	0.6%	Y	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.0%	-	-
Production of heat/cool from bioenergy	CCM 4.24 / CCA 4.24	0.1	0.1%	Y	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.1%	-	-
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15	0.0	0.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.0%	E	-

[1] *The primary objective of our activities is to contribute to climate change mitigation, therefore they are not fully assessed for climate change adaptation and disclosed as not aligned.*

Operating expenses (Taxonomy OPEX APM) under the Taxonomy Regulation (cont.)

Financial year 2023		2023		Substantial contribution criteria						DNSH criteria									
Economic activities under the Taxonomy Regulation	**Codes**	**Taxonomy OPEX**	**Proportion of Taxonomy OPEX**	**climate change mitigation**	climate change adaptation	water	pollution	circularity	biodiversity	climate change mitigation	climate change adaptation	water	pollution	circularity	biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned or eligible Taxonomy OPEX 2022	Category enabling activity	Category transitional activity
		EURm	%	**Y; N; N/EL**	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4 / CCA 7.4	0.0	0.0%	**Y**	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.0%	E	-
Installation, maintenance and repair of renewable energy technologies	CCM 7.6 / CCA 7.6	0.0	0.0%	**Y**	N[1]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.0%	E	-
Taxonomy OPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		47.9	67.0%	**67.0%**	-	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	64.9%		-
Of which Enabling		42.8	59.8%	**59.8%**	-	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	57.3%	E	-
Of which Transitional		-	-	**-**						-	-	-	-	-	-	-			T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Electricity generation from fossil gaseous fuels	CCM 4.29 / CCA 4.29	5.7	7.9%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								8.1%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5 / CCA 6.5	-	-	**EL**	EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Acquisition and ownership of buildings	CCM 7.7 / CCA 7.7	0.1	0.1%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Taxonomy OPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		5.7	8.0%	**8.0%**	-	-	-	-	-								8.2%		
Taxonomy OPEX of Taxonomy-eligible activities (A.1 + A.2)		53.6	75.0%	**75.0%**	-	-	-	-	-								73.1%		

[1] *The primary objective of our activities is to contribute to climate change mitigation, therefore they are not fully assessed for climate change adaptation and disclosed as not aligned.*

Operating expenses (Taxonomy OPEX APM) under the Taxonomy Regulation (cont.)

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria									
Economic activities under the Taxonomy Regulation	Codes	Taxonomy OPEX	Proportion of Taxonomy OPEX	climate change mitigation	climate change adaptation	water	pollution	circularity	biodiversity	climate change mitigation	climate change adaptation	water	pollution	circularity	biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned or eligible Taxonomy OPEX 2022	Category enabling activity	Category transitional activity
		EURm	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Taxonomy OPEX of Taxonomy-non-eligible activities		17.9	25.0%																
Total (A + B)		71.5	100%																

Taxonomy tables for nuclear and gas as referred in Complimentary Climate Delegated Act

Template 1. Nuclear and fossil gas related activities

	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Template 4. Taxonomy-eligible but not taxonomy-aligned economic activities

Revenue – Taxonomy-eligible but not taxonomy-aligned economic activities

	Economic activities	Amount and proportion					
		CCM+CCA		Climate change mitigation		Climate change adaptation	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in section 4.26 of Annexes I and II to the Delegated Regulation 2021/2139 included in the denominator of the applicable KPI	-	-	-	-	-	-
2.	Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in section 4.27 of Annexes I and II to the Delegated Regulation 2021/2139 included in the denominator of the applicable KPI	-	-	-	-	-	-
3.	Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in section 4.28 of Annexes I and II to the Delegated Regulation 2021/2139 included in the denominator of the applicable KPI	-	-	-	-	-	-
4.	Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in section 4.29 of Annexes I and II to the Delegated Regulation 2021/2139 included in the denominator of the applicable KPI	91.9	98.6%	91.9	98.6%	-	-
5.	Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in section 4.30 of Annexes I and II to the Delegated Regulation 2021/2139 included in the denominator of the applicable KPI	-	-	-	-	-	-
6.	Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in section 4.31 of Annexes I and II to the Delegated Regulation 2021/2139 included in the denominator of the applicable KPI	-	-	-	-	-	-
7.	Amount and proportion of other Taxonomy-eligible but not Taxonomy-aligned economic activities not referred to in rows 1 to 6 above included in the denominator of the applicable KPI	1.3	1.4%	1.3	1.4%	-	
8.	Total amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activities included in the denominator of the applicable KPI	93.2	100.0%	93.2	100.0%	-	-

Taxonomy CAPEX APM – Taxonomy-eligible but not taxonomy-aligned economic activities

Economic activities	Amount and proportion					
	CCM+CCA		Climate change mitigation		Climate change adaptation	
	Amount	%	Amount	%	Amount	%
1. Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in section 4.26 of Annexes I and II to the Delegated Regulation 2021/2139 included in the denominator of the applicable KPI	-	-	-	-	-	-
2. Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in section 4.27 of Annexes I and II to the Delegated Regulation 2021/2139 included in the denominator of the applicable KPI	-	-	-	-	-	-
3. Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in section 4.28 of Annexes I and II to the Delegated Regulation 2021/2139 included in the denominator of the applicable KPI	-	-	-	-	-	-
4. Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in section 4.29 of Annexes I and II to the Delegated Regulation 2021/2139 included in the denominator of the applicable KPI	5.6	97.7%	5.6	97.7%	-	-
5. Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in section 4.30 of Annexes I and II to the Delegated Regulation 2021/2139 included in the denominator of the applicable KPI	-	-	-	-	-	-
6. Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in section 4.31 of Annexes I and II to the Delegated Regulation 2021/2139 included in the denominator of the applicable KPI	-	-	-	-	-	-
7. Amount and proportion of other Taxonomy-eligible but not Taxonomy-aligned economic activities not referred to in rows 1 to 6 above included in the denominator of the applicable KPI	0.1	2.3%	0.1	2.3%	-	-
8. Total amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activities included in the denominator of the applicable KPI	5.8	100.0%	5.8	100.0%	-	-

Taxonomy OPEX APM – Taxonomy-eligible but not Taxonomy-aligned economic activities

	Economic activities	Amount and proportion					
		CCM+CCA		Climate change mitigation		Climate change adaptation	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in section 4.26 of Annexes I and II to the Delegated Regulation 2021/2139 included in the denominator of the applicable KPI	-	-	-	-	-	-
2.	Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in section 4.27 of Annexes I and II to the Delegated Regulation 2021/2139 included in the denominator of the applicable KPI	-	-	-	-	-	-
3.	Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in section 4.28 of Annexes I and II to the Delegated Regulation 2021/2139 included in the denominator of the applicable KPI	-	-	-	-	-	-
4.	Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in section 4.29 of Annexes I and II to the Delegated Regulation 2021/2139 included in the denominator of the applicable KPI	5.7	98.9%	5.7	98.9%	-	-
5.	Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in section 4.30 of Annexes I and II to the Delegated Regulation 2021/2139 included in the denominator of the applicable KPI	-	-	-	-	-	-
6.	Amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in section 4.31 of Annexes I and II to the Delegated Regulation 2021/2139 included in the denominator of the applicable KPI	-	-	-	-	-	-
7.	Amount and proportion of other Taxonomy-eligible but not Taxonomy-aligned economic activities not referred to in rows 1 to 6 above included in the denominator of the applicable KPI	0.1	1.1%	0.1	1.1%	-	-
8.	Total amount and proportion of Taxonomy-eligible but not Taxonomy-aligned economic activities included in the denominator of the applicable KPI	5.7	100.0%	5.7	100.0%	-	-

Template 2. Eligible activities that are aligned (denominator), template 3. Eligible activities that are aligned (numerator) and Template 5. Taxonomy non-eligible economic activities, as referred in Article 8 (6) and (7) of the Complimentary Climate Delegated Act, are not relevant to the Group as it does not have any nuclear energy related activities (4.26–4.28), and fossil gas related activities (4.29–4.31) are already disclosed as Taxonomy-eligible but not aligned in template 4.

6.7 Additional information

Group policies and standards establishing sustainability principles

The main policies related to the implementation of sustainability principles, which discuss environmental protection, social and governance issues relevant to the Group, are listed in the table below. This list does not include all policies approved by the Group – relevant issues may also be discussed in other policies. All Group policies apply equally to all Group companies. The sustainability policies and standards mentioned in this report are made public and can be found on the Group's website.

Throughout all our policies we are committed to respect human rights in all our operations. We continuously review and proactively assess our policies, to ensure, that they are up to date and reflect newest requirements on sustainability principles. Every function responsible for certain policy embedment, periodically reviews and updates it accordingly. All involved parties are constantly introduced on all changes.

Ignitis Group headquarters in Vilnius

Policies	Purpose	Date of approval
Group Sustainability Policy	Establishes shared sustainability principles of the Group and their implementation measures at the Group, which shape the culture and practice of responsible and sustainable business development.	August 31, 2020
Group Environmental Policy	Defines the general provisions and principles of the Group's environmental protection in order to reduce the impact on the environment, manage risks related to the environment and foster a culture based on the principles of sustainable development in the Group and its environment.	December 6, 2022 (updated)
Group Code of Ethics	Defines the principles and standards of business ethics the Group adheres to and the behaviour it expects from its employees and partners in their daily work.	November 21, 2022 (updated)
Group Supplier Code of Ethics	Reflects the Group's commitment to strengthening sustainable collaboration with suppliers by promoting legal, professional and fair business practices that incorporate environmental, social responsibility and business ethics objectives.	November 21, 2023 (updated)
Group Occupational Health and Safety Policy	Establishes the main safety and health obligations of Group companies, principles of OHS assurance, management system (the policy replaced the Zero Tolerance for Accidents at Work Policy).	December 13, 2022
Group People and Culture Policy	Regulates the human activity management function of the Group, and aims to manage human potential and culture, to achieve the Group's strategic objectives in a sustainable way.	January 5, 2021
Group Remuneration Policy	Aims to attract and retain competent, fast-learning, technologically advanced, globally minded and creative employees.	March 31, 2023
Group Equal Opportunities and Diversity Policy	Regulates the principles of promotion, implementation and enforcement of equal opportunity and diversity and the main measures for the implementation of these principles at the Group.	August 31, 2020
Group Abuse and Harassment Prevention Policy	Sets the guidelines that obligates the Group to create an emotionally safe working environment for our employees, defines potential forms of abuse and harassment, outlines the procedure of reporting abuse and harassment, and provides measures for preventing abuse and harassment.	February 22, 2023
Group Public Procurement Policy	Sets out the basic principles for the planning, implementation, and control of procurement by Group companies.	January 1, 2023
Group Financial Support Policy	Determines the common Group's financial support provision principles.	June 30, 2023
Group Personal Data Protection Policy	States that personal data is managed in clearly defined legal manner and according to the GDPR and the Law on Legal Protection of Personal Data of the Republic of Lithuania.	June 29, 2021
Group Anti-Corruption Policy	Establishes mechanisms to enable timely identification of corruption risks arising in business processes and, after assessing them, to select proportionate and effective control measures to reduce identified and unacceptable corruption risks.	August 16, 2022 (updated)
Group Corporate Governance Policy	Sets the general governance principles within the Group, which ensures the integration of the Group's companies into one organisation according to their activities and function.	April 8, 2019
Group Information Security Policy	Sets out directions and principles for ensuring the Group's Information Security and the obligations of recipients and users of the Group's information.	September 26, 2023

The Group companies implement and maintain modern, globally recognized standards, in compliance with which they implement high sustainability requirements. More about the standards implemented in the Group can be found on the Group's website.

Standards	Purpose	Date of first certification
Environmental management system ISO 14001:2015	Group companies ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation), Vilnius CHP (Green Generation) maintains the environmental standard ISO 14001:2015. The B2B-related activities of Ignitis (Customers & Solutions) are also ISO 14001 certified. Kaunas CHP (Green Generation) implemented the ISO14001:2015 in 2023.	ESO (Networks) and Ignitis Gamyba (Reserve Capacities and Green Generation) in 2013, Ignitis (Customers & Solutions) in 2021, Vilnius CHP (Green Generation) in 2022, Kaunas CHP (Green Generation) in 2023.
Occupational health and safety management system ISO 45001:2018	The ISO 45001:2018 standard has been implemented in the following Group companies: ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation), Ignitis Grupės Paslaugų Centras, and Ignitis (Customers & Solutions) (for activities related to the provision of services to business (B2B) customers). It replaced the old OHSAS 18001:2007 standard in ESO (Networks) and Ignitis Gamyba (Reserve Capacities and Green Generation). 83% of the Group's employees work in operations certified to recognised occupational safety and health standards.	Ignitis Gamyba (Reserve Capacities and Green Generation) in 2014, ESO (Networks) in 2016, Ignitis Grupės Paslaugų Centras and Ignitis (Customers & Solutions) in 2021.
Information security management system ISO 27001:2017	To ensure compliance of the activities and processes of the Group companies with the General Data Protection Regulation, Ignitis Grupės Paslaugų Centras, which provides information security services to the entire Group, is ISO 27001:2017 standard certified.	2014
Anti-corruption management system ISO 37001:2016	The standard of the anti-corruption management system allows to systematically reduce the risk of corruption at the Group and helps implement various anti-corruption measures as well as detect possible manifestations of corruption.	2021
Quality management system ISO 9001:2015	The Group company Ignitis (Customers & Solutions) has a quality management certificate for activities related to the provision of services to business (B2B) customers.	2021

Ratings and rankings

	2023	2022	
MSCI ESG RATINGS AA	'AA' (Leader)	'AA' (Leader)	MSCI ESG Rating aims to measure a company's management of financially relevant ESG risks and opportunities. Ratings range on a scale from 'AAA' to 'CCC' (where 'AAA' is the top score). Copyright© 2023 MSCI. More information available here.
Rated Sustainalytics	25.2 (Medium)	20.4[1] (Medium)	Sustainalytics ESG Risk Rating helps to identify and understand the financially material ESG issues that can affect organization's long-term performance. The rating scores the ESG performance from negligible (0–10) to severe risk (40+). More information available here. Copyright© 2023 Sustainalytics. For further information, see sustainalytics.com/legal-disclaimers.
CDP Driving sustainable economies	'B' (Management)	'A-' (Leadership)	A CDP score is a snapshot of a company's environmental disclosure and performance. The companies are assessed and scored across four consecutive levels from 'D-' (Disclosure) to 'A' (Leadership). More information available here.
Platinum Top 1% 2023 ecovadis Sustainability Rating	78 (Platinum)	78 (Platinum)	The EcoVadis Rating covers a broad range of non-financial management systems including Environmental, Labour & Human Rights, Ethics and Sustainable Procurement impacts. The EcoVadis overall score (0–100, where 100 is the top score) reflects the quality of the company's sustainability management system at the time of the assessment. More information available here.
Corporate ESG Performance Prime Rated by ISS ESG	'B-' (Good)	'C' (Medium)	ISS ESG Corporate Rating provides highly relevant, material and forward looking environmental, social and governance data and performance assessments. Companies are rated, from 'D-' (Poor) to 'A+' (Excellent), on their sustainability performance on an absolute best-in-class basis. More information available here.
Top Employer Lietuva Lithuania 2024	Top Employer Lithuania	Top Employer Lithuania	Top Employers Institute is the global authority on recognising excellence in people practices. It provides a certification programme that enables organisations to assess and improve the workplace environment. More information available here.
VKC Valdymo koordinavimo centras	'A+'	'A+'	The Good Corporate Governance Index has been compiled since 2012 by the Lithuanian Governance Coordination Centre on annual basis with the aim to assess and measure how each SOE implements key good governance practices. The rating ranges on the scale from 'D' to 'A+' ('A+' meaning the best). More information available here.
Lygių galimybių sparnai	3 Equal Opportunity Wings	3 Equal Opportunity Wings	Equal Opportunity Wings is an acknowledgment of organization's achievements in mainstreaming equal opportunities in the workplace and creating a diverse and inclusive culture in organization. The maximum number of wings awarded is three, which signifies, that the organization not only successfully integrates equal opportunities in its culture, but also actively promotes equal opportunities in the public domain. More information available here.
Lietuvos įvairovės chartija	**1st place** Ignitis (Customer & Solutions) **2nd place** ESO (Networks) and Ignitis Gamyba (Reserve Capacities and Green Generation)	1st place	For the second year in a row, Group companies were rated as leaders in equal opportunities reporting. The Lithuanian Diversity Charter conducted a new study, during which it investigated whether companies have and are pursuing diversity goals, reporting progress, etc. Due to the specificity of the methodology, the companies of the Group were evaluated separately. Ignitis (Customers & Solutions) took first place. Both second places were taken by ESO (Networks) and Ignitis Gamyba (Reserve Capacities and Green Generation). More information available here.
Nasdaq ESG Transparency Partner 2021	ESG Transparency Partner	ESG Transparency Partner	Nasdaq ESG Data Portal fosters transparency in financial markets and is committed to a data-driven transition. By being part of the Nasdaq ESG database, investors are enabled to integrate this data into their screening process and investment decisions. In order to become a Nasdaq ESG Transparency Partner company must fill and submit an ESG Disclosure Form in the database.

[1] *2021 update, no update in 2022.*

Memberships and external initiatives

We carry out sustainable activities together with our partners. By participating in the activities of various organisations, we share our experience and learn from others. We are presenting an overview of selected memberships and external initiatives. More detailed information on our partnerships, is available on our website.

The Group is contributing to global initiatives:

- we are committed to adhering to the principles of the United Nations Global Compact;
- we aim to contribute to the achievement of the Sustainable Development Goals of the United Nations;
- we are committed to reduce net GHG emissions to zero by 2040-2050 and have our near-term targets validated by the SBTi;
- we joined the Business Ambition for 1.5 °C of the United Nations;
- we signed the Women's Empowerment Principles to advance gender equality and women's empowerment.

More detailed information on our memberships, is available on our website.

Selected memberships

How do we implement principles of the Global Compact

Sustainability Policy also emphasises our commitment to the ten principles of the Global Compact (UNGC), which we joined in 2016. This agreement – the generally accepted guidelines for responsible business conduct – is a clear guide for the development of responsible business. The control over the implementation of these principles and the management of the related risks are an integral part of the overall control and risk management of the Group companies.

Our commitment		Page(s) of Integrated Annual Report
Human rights		
1	We support and respect internationally recognised human rights.	221-222, 268, 279
2	We are committed not to be complicit in human rights abuses.	221, 224, 279
Labour		
3	We guarantee freedom of association, including trade union membership, and recognise the right of workers to collective bargaining.	218, 220 , 265
4	We do not use forced or compulsory labour and seek to contribute to its elimination in an environment where we have influence.	221-222, 224-225
5	We do not use child labour and contribute to its elimination in an environment where we have influence.	221, 279
6	We do not tolerate any form of discrimination and contribute to its elimination in the work and professional environment where we have influence.	221-222
Environment		
7	We apply preventive measures in order to ensure the protection of the environment.	174-208
8	We undertake initiatives to increase environmental responsibility where we have influence.	168,177, 223, 265
9	We encourage the development and wide application of environmentally friendly technologies.	184-187, 233, 207
Anti-Corruption		
10	We create an environment which has zero tolerance for corruption and we fight all forms of corruption, including bribery, graft and trading in influence.	235-237, 273, 279

Contribution to the Sustainable Development Goals

The Group's goals are in line with the United Nations' Agenda for Sustainable Development, consisting of 17 universal interlinked Sustainable Development Goals that embrace the idea of social progress and improving the quality of life in the world. In pursuit of strategic goals, the Group contributes to the implementation of this agenda.

We contribute significantly to the implementation of these SDGs

7 AFFORDABLE AND CLEAN ENERGY

7.1 Access to energy

7.2 Renewable energy

7.3 Energy efficiency

To ensure that everyone has access to affordable, reliable, sustainable and modern energy services:

- we ensure the availability of energy services;
- we are expanding green generation capacity;
- we promote the development and consumption of clean energy;
- we proactively look for innovations in energy sector and incorporate them into our business;
- we promote energy efficiency.

8 DECENT WORK AND ECONOMIC GROWTH

8.2 Economic productivity

8.5 Decent work

8.8 Labour rights and safe working environment

Promoting sustainable economic growth and decent work:

- we ensure equal working and pay conditions for employees;
- we respect human rights and freedoms;
- we do not tolerate any form of discrimination and harassment;
- safe work for employees and contractors is the Group's priority.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

9.2 Sustainable industrialisation

9.4 Modern industry

By developing flexible infrastructure, promoting inclusive and sustainable industrialization and innovation:

- we invest in sustainable infrastructure and its improvement;
- we contribute to scientific research and invest in development projects;
- we support international cooperation;
- we help those who develop innovations useful to society.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

12.2 Sustainable management of natural resources

12.5 Reduce waste generation

12.6 Corporate social responsibility

Ensuring responsible consumption and production:

- we carefully select reliable partners and ensure a fair partnership;
- we promote responsible energy consumption;
- we aim to use resources efficiently when creating products and services;
- we promote waste recycling, rational management and use, and re-use of resources;
- we are expanding green generation capacity.

13 CLIMATE ACTION

13.1 Strengthen resilience and adaptivity

13.3 Education

Contributing to climate change mitigation:

- we implement decarbonization plans;
- we reduce the impact of our activities on the environment and aim to manage emissions to achieve net zero in GHG emissions in the long run;
- we adhere to the highest environmental protection and ecological standards;
- we increase the resilience of the energy infrastructure and adaptation to the effects of climate change.

Other SDGs to which we contribute

5.1 End all forms of discrimination

5.5 Equal opportunities for leadership

Our contribution to gender equality:

- we have commitment at the highest strategic level to achieve gender balance and are implementing measures to achieve this goal;
- we promote careers of female employees in IT and engineering areas;
- we aim to consistently increase the share of female employees in management positions;
- we promote awareness of gender equality among all employees – women and men.

15.1 Protection of terrestrial ecosystems

15.5 Reduce the degradation of biodiversity

To reduce and/or offset negative impacts on biodiversity and ecosystems:

- we have committed at the highest strategic level to achieve a net gain in biodiversity by 2025;
- we protect biodiversity, habitats and ecosystems in which we operate and monitor the impact of our activities on them. Environmental protection is integrated into our operation management policy;
- we have identified the impacts of our activities on the natural environment, dependencies, and segments where we must first take action to improve the state of biodiversity;
- we cooperate with governmental and non-governmental environmental institutions and scientists;
- we adhere to the highest environmental protection and ecological standards.

16.5 Anti-corruption

16.10 Access to information

Promoting transparency, anti-corruption and justice:

- we constantly improve anti-corruption management in the Group;
- we educate employees, partners and cooperate with state institutions.

GRI content index

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201-1	Direct economic value generated and distributed	60
201-2	Financial implications and other risks and opportunities due to climate change	135-137
201-4	Financial assistance received from government	63
GRI 202: MARKET PRESENCE 2016		
3-3	Management of material topics	146
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	267

GRI Standard	Disclosure	Page(s) of Integrated Annual Report
GRI 204: PROCUREMENT PRACTICES 2016		
3-3	Management of material topics	241
204-1	Proportion of spending on local suppliers	276
GRI 205: ANTI-CORRUPTION 2016		
3-3	Management of material topics	234
205-2	Communication and training about anti-corruption policies and procedures	273
205-3	Confirmed incidents of corruption and actions taken	274
GRI 206: ANTI-COMPETETIVE BEHAVIOR 2016		
3-3	Management of material topics	235-240
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	274
GRI 207: TAX 2019		
207-4	Country-by-country reporting	275
GRI 302: ENERGY 2016		
3-3	Management of material topics	174,179
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302-3	Energy intensity	248
GRI 303: WATER AND EFFLUENTS 2018		
3-3	Management of material topics	174, 197
303-3	Water withdrawal	251
303-4	Water discharge	251
303-5	Water consumption	251
GRI 304: BIODIVERSITY 2016		
3-3	Management of material topics	174, 200
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	253-255
304-2	Significant impacts of activities, products, and services on biodiversity	201-203
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	256
GRI 305: EMISSIONS 2016		
3-3	Management of material topics	174, 192
305-1	Direct (Scope 1) GHG emissions	245

GRI Standard	Disclosure	Page(s) of Integrated Annual Report
305-2	Energy indirect (Scope 2) GHG	245
305-3	Other indirect (Scope 3) GHG emissions	245
305-4	GHG emissions intensity	245
305-5	Reduction of GHG emissions	245
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	250
GRI 306: WASTE 2020		
3-3	Management of material topics	174, 206
306-1	Waste generation and significant waste-related impacts	207-208
306-2	Management of significant waste-related impacts	207-208
306-3	Waste generated	257
GRI 307: ENVIRONMENTAL COMPLIANCE 2016		
3-3	Management of material topics	172
307-1	Non-compliance with environmental laws and regulations	250
GRI 401: EMPLOYMENT 2016		
3-3	Management of material topics	215
401-1	New employee hires and employee turnover	265
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	219, 264
401-3	Parental leave	263
GRI 402: LABOUR MANAGEMENT RELATIONS 2016		
3-3	Management of material topics	215
402-1	Minimum notice periods regarding operational changes	220, 265
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018		
3-3	Management of material topics	211-212
403-1	Occupational health and safety management system	212
403-2	Hazard identification, risk assessment, and incident investigation	211
403-3	Occupational health services	213-214
403-4	Worker participation, consultation, and communication on occupational health and safety	213-214
403-5	Worker training on occupational health and safety	213-214
403-6	Promotion of worker health	213-214
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	211-214

GRI Standard	Disclosure	Page(s) of Integrated Annual Report
403-8	Workers covered by an occupational health and safety management system	261
403-9	Work-related injuries	261
GRI 404: TRAINING AND EDUCATION 2016		
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404-1	Average hours of training per year per employee	269
404-2	Programs for upgrading employee skills and transition assistance programs	216
404-3	Percentage of employees receiving regular performance and career development reviews	265
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016		
3-3	Management of material topics	221
405-1	Diversity of governance bodies and employees	258, 266
405-2	Ratio of basic salary and remuneration of women to men	267
GRI 406: NON-DISCRIMINATION 2016		
406-1	Incidents of discrimination and corrective actions taken	268
GRI 413: LOCAL COMMUNITIES 2016		
3-3	Management of material topics	226
413-1	Operations with local community engagement, impact assessments, and development programs	226-228, 270
GRI 418: CUSTOMER PRIVACY 2016		
3-3	Management of material topics	229-231
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	229-231, 274
GRI 419: SOCIOECONOMIC COMPLIANCE 2016		
419-1	Non-compliance with laws and regulations in the social and economic area	274, 261, 250

Nasdaq ESG indicators

The information presented below covers the period between 1 January–31 December 2023 and we suggest reading the indicators together with the Sustainability report in the Integrated Annual Report. The ESG (Environmental, Social and Corporate Governance) indicator data provided below has not been externally verified and represents the best available estimates at the point of disclosure.

Nasdaq indicator	Disclosure	Page(s) of Integrated Annual Report
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E2	Emissions Intensity	245
E3	Energy Usage	248
E4	Energy Intensity	248
E5	Energy Mix	248
E6	Water Usage	251
E7	Environmental Operations	174
E8	Climate Oversight / Board	172
E9	Climate Oversight / Management	172
E10	Climate Risk Mitigation	180
SOCIAL INDICATORS		
S1	CEO Pay Ratio	267
S2	Gender Pay Ratio	267
S3	Employee Turnover	262
S4	Gender Diversity	258, 266
S5	Temporary Worker Ratio	258
S6	Non-Discrimination	221-222
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S8	Global Health & Safety	211-215, 224-225
S9	Child & Forced Labour	221, 279
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Nasdaq indicator	Disclosure	Page(s) of Integrated Annual Report
CORPORATE GOVERNANCE INDICATORS		
G1	Board Diversity	266
G2	Board Independence	91
G3	Incentivized Pay	146-149
G4	Collective Bargaining	220, 265
G5	Supplier Code of Conduct	276
G6	Ethics & Anti-Corruption	235-237, 273, 279
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G9	Disclosure Practices	164, 171, 304
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Content of disclosures under the ESRS

ESRS standards	Disclosure	Page(s) of Integrated Annual Report
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E3	Water and marine resources	174-178, 195-198, 251-252
E4	Biodiversity and ecosystems	174-178, 199-204, 253-256
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SOCIAL		
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Content of disclosures under the EU Taxonomy Regulation

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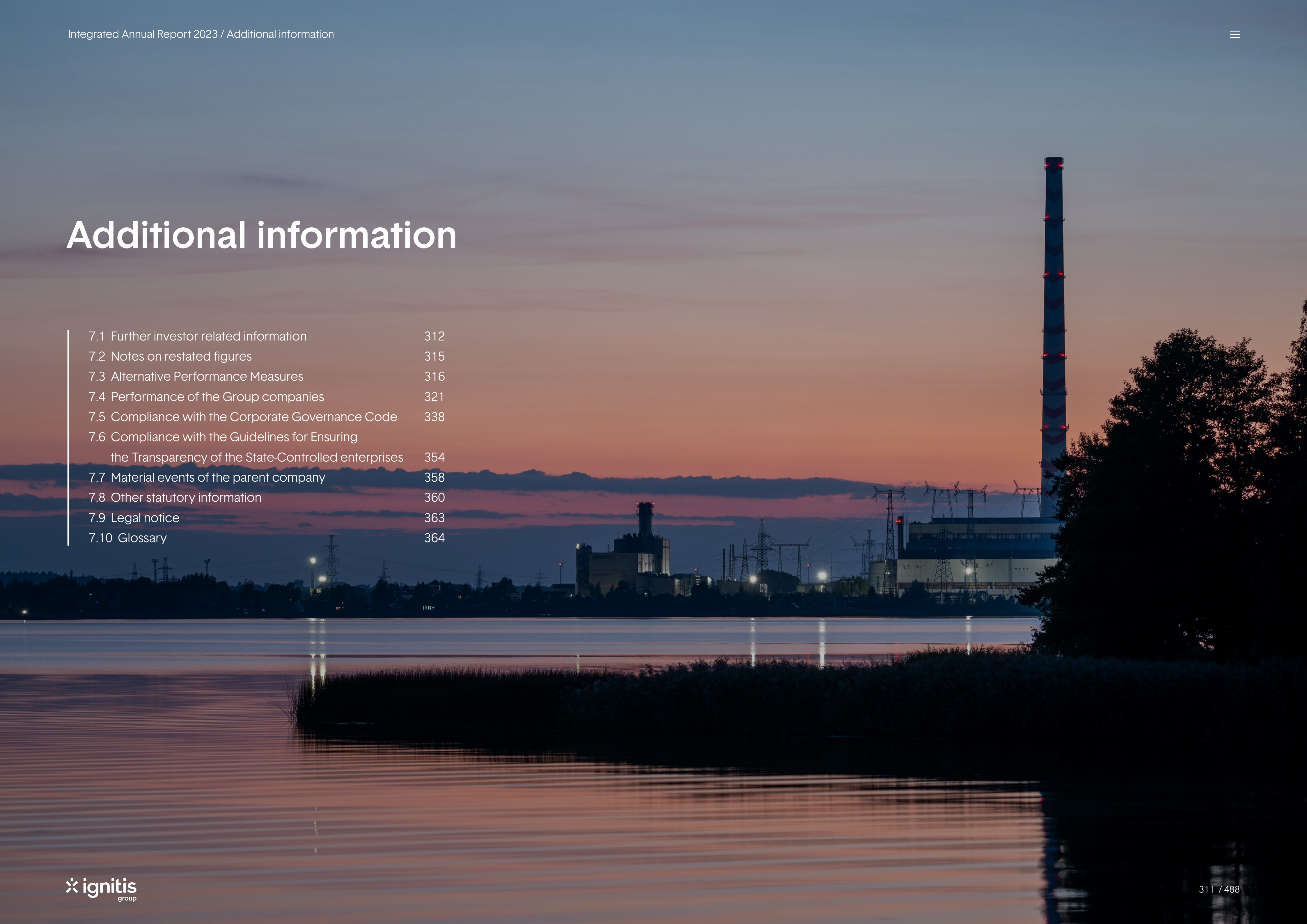
Eligibility assessment	277
Alignment assessment	278-279
Accounting policies	280-282
Contextual information about Taxonomy Regulation KPIs	283-285
Revenue under the Taxonomy Regulation	286-287
Capital expenditure (Taxonomy CAPEX) under the Taxonomy Regulation	288-290
Operating expenses (Taxonomy OPEX) under the Taxonomy Regulation	291-293
Taxonomy tables for Nuclear and Gas as referred in Complimentary Climate Delegated Act	294-297



Additional information

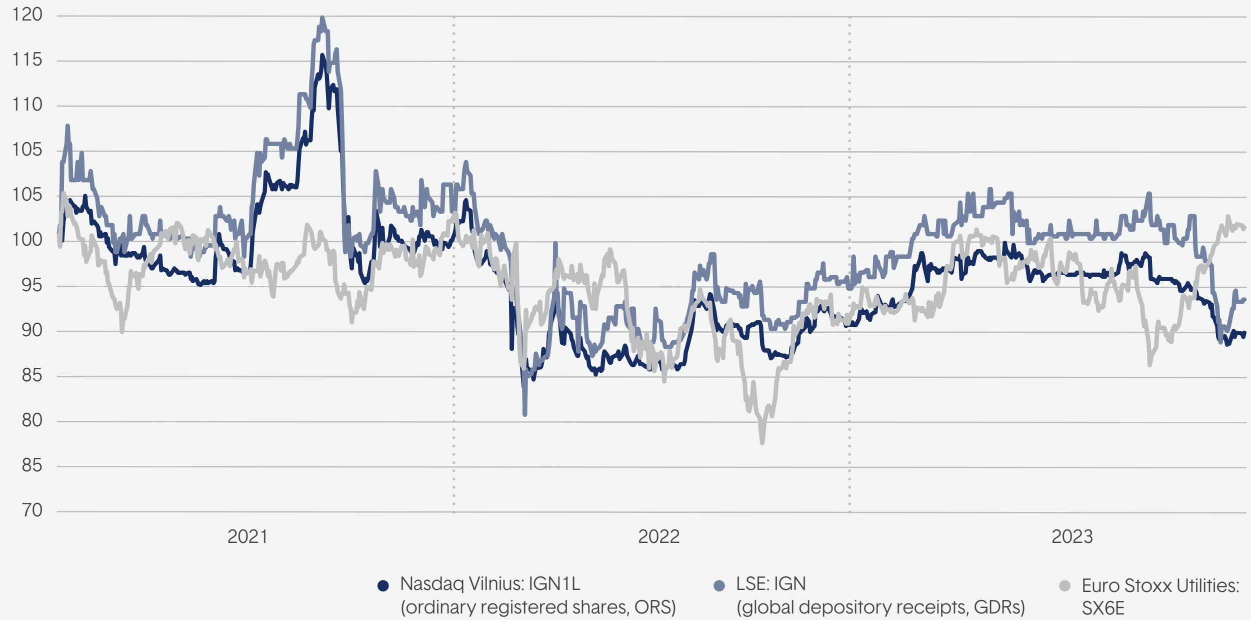
7.1 Further investor related information

In addition to the information provided in section '1.6 Investor information', further details on the Group's ordinary registered shares (ORS), global depositary receipts (GDRs) and bonds are provided in this section.

ORS and GDRs

On the following page is an overview of ORS and GDR trading data for the period 2021–2023.

Price development 2021–2023[1]



Price change	TSR
0.8%	15.6%
(7.3%)	11.7%
(10.9%)	7.0%

[1] *Indexed at 100.*

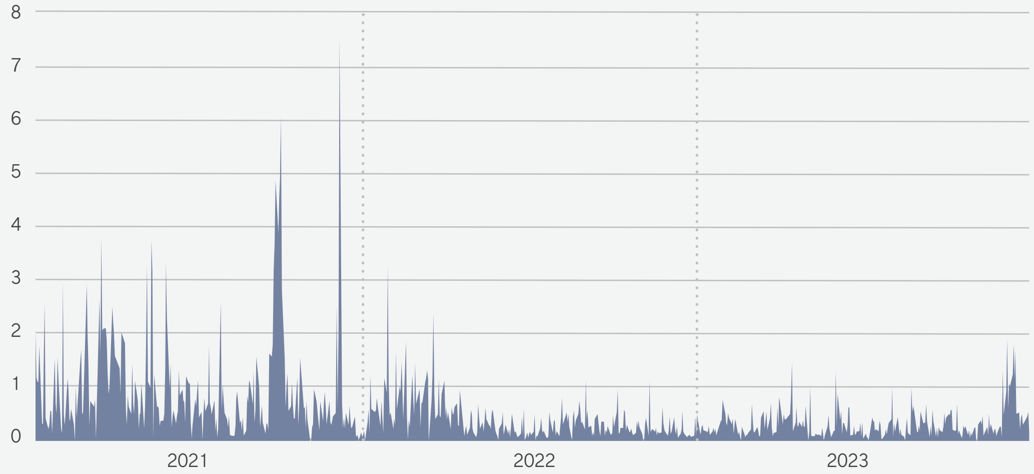
Performance information 2021–2023

	Nasdaq Vilnius	LSE	*Combined*
Period opening[1], EUR	22.85	20.00	-
Period high[1] (date), EUR	25.35 (3 Sep 2021)	24.80 (3 Sep 2021)	*25.35*
Period low[1] (date), EUR	17.56 (7 Mar 2022)	16.00 (8 Mar 2022)	*16.00*
Period VWAP[2], EUR	20.42	19.92	*20.19*
Period end[1], EUR	18.84	18.55	-
Period turnover (average daily), EURm	290.80 (0.39)	146.83 (0.19)	*437.63 (0.58)*
Market capitalisation, year-end[1], EURbn	-	-	*1.4*

[1] *As of closing trading market price.*
[2] *VWAP – volume-weighted average price.*
[3] *Indexed at 100.*
[4] *Combined data of ORSs and GDRs.*

Daily turnover 2021–2023, EURm[1]

2021–2023 Group's total turnover amounted to EURm 438.14, sharing the split ORS (Nasdaq Vilnius) and GDRs (LSE) of 66.5% and 33.5% respectively.



[1] *Combined data of ORS and GDRs.*

Bonds

At 31 December 2023, the Group had three outstanding bond issues (two of which are green bonds) listed on the Nasdaq Vilnius and Luxembourg stock exchanges. The total nominal value of these bonds is EUR 900 million.

Bond-specific information and the composition of bondholders are provided in the figures on the right side. At the date of issue, there were 121 holders of the 2017 bond, 115 holders of the 2018 and 91 holders of the 2020 bond.

Further information of the debt instruments and its related information are available on the Group's website.

Information on the delisted subsidiaries

On 4 December 2019, the Extraordinary General Meetings of ESO (ISIN-code: LT0000130023) and Ignitis Gamyba (ISIN-code: LT0000128571) shareholders made the decisions to delist the shares of these companies from trading on the Nasdaq Vilnius stock exchange and to approve the parent company as the entity that will make a formal offer to buy-out the shares of both companies. On 21 May 2020, Nasdaq Vilnius delisted the shares of ESO (Networks) and Ignitis Gamyba (Reserve Capacities and Green Generation) from trading on the Baltic Main List (the last trading day was on 30 June 2020).

Following the mandatory buy-out procedures of ESO and Ignitis Gamyba shares, the parent company became a 100% shareholder of ESO on 15 April 2021 and of Ignitis Gamyba on 9 September 2021. The decisions were enforced on 7 September 2021 (in respect of ESO) and 27 September 2021 (in respect of Ignitis Gamyba).

Information related to the delisted companies, including the details of payment for shares, is available on our website.

Bonds outstanding

2017 issue

Issuer	Ignitis Group
Issued amount	EUR 300,000,000
Coupon	2.000%
Maturity date	2027.07.14
ISIN-code	XS1646530565
Credit rating	BBB+

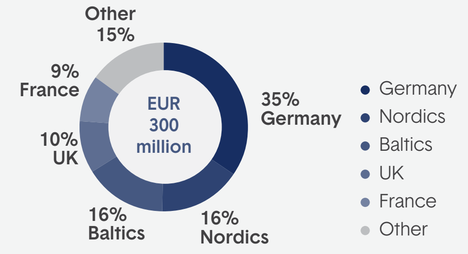
2018 issue

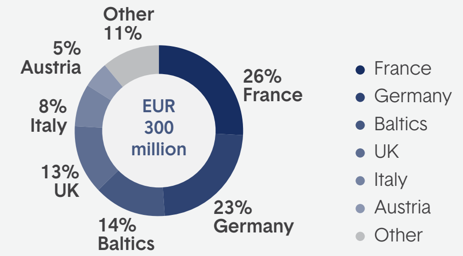
Issuer	Ignitis Group
Issued amount	EUR 300,000,000
Coupon	1.875%
Maturity date	2028.07.10
ISIN-code	XS1853999313
Credit rating	BBB+

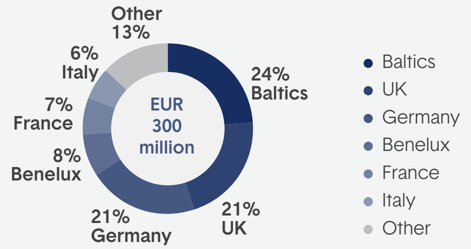
2020 issue

Issuer	Ignitis Group
Issued amount	EUR 300,000,000
Coupon	2.000%
Maturity date	2030.05.21
ISIN-code	XS2177349912
Credit rating	BBB+

Bondholder composition at issue date







7.2 Notes on restated figures

In this section we provide a summary of restated figures, if any, presented in this report compared to previous reporting periods.

1. Regarding LTM indicators for the year 2022

Due to changes in IAS, part of financial indicators were recalculated retrospectively for the year 2021 (for more information, see our Annual report 2022, part ' 8 Consolidated financial statements', note '6 Restatement of comparative figures due to changes in the accounting policy'). Due to the adjustment, the LTM indicators for the year 2022 were recalculated retrospectively. Definitions of alternative performance measures can be found on the Group's website.

2. Regarding restated EU Taxonomy figures and updated methodology for calculations

Due to changes in methodology of calculating EU Taxonomy ratios, figures were recalculated retrospectively for the year 2022 reported in Annual report 2022. Examples of these changes include the amendments related with implementation of main unified proxy used to calculate the ratios, review of the inclusions related with the activity '4.9 Transmission and distribution of electricity', etc. For more detailed information, see part 'Changes in calculations' of the section '6.6 Disclosures under the EU Taxonomy Regulation' of this report.

7.3 Alternative Performance Measures

Indicator	Formula	Definition	Meaning and interpretation of indicator
Adjusted EBIT	Adjusted EBITDA - depreciation and amortization expenses - write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets (excluding significant one-off items)	Adjusted EBITDA less depreciation and amortization expenses, write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets except significant one-off items (if any).	Adjusted EBIT is a profit measure, which allows for a more reliable comparison of the Group's results over time and with peers, than EBIT.
Adjusted EBIT margin	Adjusted EBIT / Total revenue + management adjustments (for revenues)	Profitability ratio, which shows Adjusted EBIT as a percentage of revenue	The higher the indicator value, the higher the profitability of the Group.
Adjusted EBITDA	EBITDA + temporary regulatory differences + result of asset rotation + significant one-off gains or losses	EBITDA after eliminating items, which are nonrecurring, and/or non-cash, and/or related to other periods, and/or non-related to the main activities of the Group, and after adding back items, which better reflect the result of the current period.	Adjusted EBITDA is a key measure of the Group's performance, used as a measure for Group's targets. This indicator allows for a more reliable comparison of the Group's results over time and with peers, than EBITDA.
Adjusted EBITDA margin	Adjusted EBITDA / Total revenue + management adjustments (for revenues)	Profitability ratio, which shows Adjusted EBITDA as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group. The indicator is also useful for monitoring Group's efficiency. The higher the Adjusted EBITDA margin of the Group, the lower the Group's OPEX compared to Revenue, and the higher the efficiency.
Adjusted net profit	Adjusted EBIT + finance income – finance expenses - Income tax (expenses)/benefit - adjustments' impact on income tax	Net profit after eliminating items which are non-recurring, and/or related to other periods, and/or non-related to the main activities of the Group, and after adding back items, which better reflect the result of the current period.	This is one of the key indicators that measures profitability of the Group. It is also used for computing Adjusted ROE, which is another key indicator of the Group's performance.
Adjusted net profit margin	Adjusted net profit / Total revenue + management adjustments (for revenues)	Profitability ratio, which shows Adjusted net profit as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group. The indicator is also useful for monitoring Group's efficiency.

Indicator	Formula	Definition	Meaning and interpretation of indicator
Adjusted return on equity (Adjusted ROE)	$\frac{\text{Adjusted net profit}}{\text{Average equity at the beginning and end of the reporting period}}$	Profitability ratio of Adjusted net profit in relation to equity.	Adjusted ROE is a key measure of Group's performance, used for setting up and monitoring of Group's targets. The principal shareholder of the Group express expectation in terms of Adjusted ROE. Adjusted return on equity shows how effectively the company is using shareholders' capital to generate profits.
Asset turnover	$\frac{\text{Total revenue}}{\text{Average Total assets at the beginning and end of the reporting period}}$	Efficiency ratio, which measures revenues relative to total assets.	The indicator shows the effectiveness of use of the Group's assets. A higher value indicates a higher degree of effectiveness in managing the assets.
Capital employed	Net debt + Equity	Capital employed is a financial metric that represents the total amount of capital used by a company to generate profits	The indicator represents the total amount of financial resources employed in a business.
Current ratio	$\frac{\text{Current assets at the end of the period}}{\text{Current liabilities at the end of the period}}$	Liquidity ratio, which shows how many times current assets cover current liabilities.	Current ratio shows the ability of the Group to meet its current liabilities by using its current assets and reflects the liquidity position of the Group. The higher the ratio, the better the liquidity position.
Dividend pay-out	$\frac{\text{Dividend per share (DPS)}}{\text{Earnings per share (EPS)}}$	The ratio of the total amount of dividends to be paid out to shareholders relative to the net profit of the parent company.	The indicator shows the percentage of earnings to be paid to shareholders via dividends.
Dividend per share (DPS)	$\frac{\text{Total proposed dividend for the reporting period}}{\text{Weighted average numbers of nominal shares for the reporting period}}$	Profitability ratio, which shows proposed dividends for the period attributable to one ordinary nominal share.	The higher the indicator value, the higher the dividends attributable to one security for the period.
Dividend yield	$\frac{\text{DPS}}{\text{Ordinary registered shares or GDR price at the end of reporting period}}$	Profitability ratio, which shows how much a company pays out in dividends each year relative to its security price.	The dividend yield is an estimate of the dividend-only return of a security investment.
Earnings per share (EPS)	$\frac{\text{Net profit of the period attributable to equity holders of the parent company}}{\text{Weighted average numbers of nominal shares for the reporting period}}$	Profitability ratio, which shows net profit for the period attributable to equity holders of the parent to one security at the end of reporting period.	The higher the indicator value, the higher the profitability attributable to one security for the period.

Indicator	Formula	Definition	Meaning and interpretation of indicator
EBIT	EBITDA - Depreciation and amortisation - Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	EBIT – earnings before interest and tax expenses are deducted.	Profit measure used as a proxy for operating cash flow, after accounting for estimate of capital expenditures through depreciation and amortization expenses
EBIT margin	$\frac{\text{EBIT}}{\text{Total revenue}}$	Profitability ratio, which shows EBIT as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group.
EBITDA	Total revenue - Purchases of electricity, gas and other services - Salaries and related expenses - Repair and maintenance expenses - Other expenses	EBITDA - earnings before interest, taxes, depreciation, and amortization.	Profit measure used as a proxy for operating cash flow.
EBITDA margin	$\frac{\text{EBITDA}}{\text{Total revenue}}$	Profitability ratio, which shows EBITDA as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group.
Equity ratio	$\frac{\text{Equity at the end of the period}}{\text{Total assets at the end of the period}}$	Leverage ratio, which shows the proportion of the total assets financed by equity	This indicator shows the share of equity in the capital structure. The lower the ratio, the more the Group depends on debt financing to fund its activities.
Free Cash Flow (FCF)	FFO + interests received- Investments + grants received + investments covered by guarantee + cash effect of new connection points and upgrades + cash inflow of proceeds from sale of property, plant, and equipment less gain or loss + change in net working capital.	Free cash flow is the cashflow remaining to the Group after covering operating and capital expenditures.	The higher the FCF, the more cash flow is available for shareholders and lenders of the Group. If FCF is negative, the Group needs to raise additional financing to fund its operations.
Funds from operations (FFO)	EBITDA - interest paid - income tax paid	FFO is the proxy for Group's cashflow after taking into account EBITDA, interest paid, and income tax paid.	FFO shows the Group's ability to generate cash from operations. This indicator is used during the credit rating review process of the Group.
Gross debt	Non-current loans and bonds + Current loans+ Lease liabilities	Total debt of the Group.	Indicator shows the level of debt of the Group.

Indicator	Formula	Definition	Meaning and interpretation of indicator
Gross debt/Equity	$\frac{\text{Gross debt}}{\text{Equity}}$	Leverage ratio, which measures of the degree to which the Group is financing its operations through debt versus equity.	The lower the indicator value, the greater the Group's ability to meet its financial liabilities and attract new debt capital. It is one of the indicators specified in the Group's dividend policy.
Investments	Additions of property, plant and equipment and intangible assets + assets acquired through the acquisition of subsidiaries + additions of other financial assets + additions of investment property + Capital granted (related with development projects with no controlling interest by the Group) + Prepayments for property, plant, and equipment - Prepayments for non-current assets reclassified to additions of property, plant and equipment or intangible assets – Contingent considerations (business combinations)	Capital spent on acquiring property, plant and equipment, intangible assets, other financial assets, and investment property, prepayments for non-current assets as well as assets acquired through the acquisition of subsidiaries.	Indicator shows the amount of capital the Group spends on acquiring, upgrading, and repairing non-current tangible and intangible assets, other financial assets and investment property, as well as assets acquired through the acquisition of subsidiaries. This is one of the main indicators that significantly impacts the Group's cash flows and leverage levels.
Net debt	Non-current loans and bonds + Current loans+ Lease liabilities - Cash and cash equivalents - Short-term deposits	Net debt of the Group is the total debts to financial institutions, issued bonds and related interest payables and lease liabilities, net of cash and cash equivalents and short-term deposits.	Net debt shows the level of indebtedness of the Group if its cash and cash equivalents and short-term deposits were used to pay out the outstanding debt. Indicator is used during the credit rating review process of the Group.
Net debt/Adjusted EBITDA	$\frac{\text{Net debt}}{\text{Adjusted EBITDA}}$	Leverage ratio, which shows the Group's ability to repay its debt from the profit earned.	The value of the indicator shows how many years it would take for the Group to pay back its debt if Net debt and Adjusted EBITDA were held constant. The lower the indicator value, the greater the Group's ability to cover its financial liabilities from the profit earned. This is one of the key indicators of the Group's leverage level.
Net debt/EBITDA	$\frac{\text{Net debt}}{\text{EBITDA}}$	Leverage ratio, which shows the Group's ability to repay its debt from the profit earned.	The value of the indicator shows how many years it would take for the Group to pay back its debt if Net debt EBITDA were held constant. The lower the indicator value, the greater the Group's ability to cover its financial liabilities from the profit earned. This indicator is used during the credit rating review process of the Group.
Net working capital	Current assets (excluding non-current assets held for sale) - cash and cash equivalents - other current financial assets - short-term deposits - short term interest receivables – prepaid income tax - derivative financial instruments assets - amounts receivable on disposal of property plant and equipment + non-current receivables (excluding EPSO-G) - current liabilities (excluding non-current liabilities of assets held for sale) + current portion of non-current loans + current loans + current lease liabilities + payable income tax + current portion of deferred revenue related to new customers connection and upgrade fees + derivative financial instruments liabilities + current provision + dividends payable	Net working capital shows the amount of capital, other than that used for investing in noncurrent assets, tied in business operations.	Net working capital is a measure of operating efficiency. The lower the net working capital, the more efficient the Group's operations and use of funds.

Indicator	Formula	Definition	Meaning and interpretation of indicator
Net working capital/ Revenue	$\frac{\text{Net working capital}}{\text{Total revenue}}$	Efficiency ratio, which shows Net working capital as proportion of revenue.	Net working capital/Revenue is a measure of operating efficiency. The lower the indicator, the more efficient the Group's operations and use of funds.
OPEX	Salaries and related expenses + repair and maintenance expenses + other expenses - Ineffective energy hedging result	Selling, general and administrative expense.	This indicator helps management to evaluate the effectiveness of the Group's operations by monitoring the overhead expenses.
Return on assets (ROA)	$\frac{\text{Net profit}}{\text{Average assets at the beginning and end of the reporting period}}$	Profitability ratio, which shows how well the Group employs its total assets.	This indicator shows how well the Group utilizes its assets to generate profit. A higher indicator value shows higher profitability of the Group's total assets.
Return on Capital Employed (ROCE)	$\frac{\text{EBIT}}{\text{Average Capital employed at the beginning and end of the reporting period}}$	Profitability ratio, which shows how well the Group employs its capital.	This indicator shows how well the Group utilizes its capital employed to generate profit. A higher indicator value shows higher profitability of the Group's capital employed.
Return on equity (ROE)	$\frac{\text{Net profit}}{\text{Average equity at the beginning and end of the reporting period}}$	Profitability ratio of net profit in relation to equity.	ROE is a measure of Group's performance. Return on equity shows how effectively the Group is using shareholders' capital to generate profits.
Taxonomy CAPEX	Additions (including acquisitions through business combinations) of property, plant and equipment, intangible assets (except goodwill), investment property + additions of right-of-use assets	Capital expenditures calculated as defined by the EU Commission Delegated Regulation 2021/2178.	This indicator shows capital expenditures related with additions and acquisitions through business combinations of property, plant and equipment, intangible assets (except goodwill) and investment property as well as additions of right-of-use assets and is used to calculate capital expenditure KPI under the EU Taxonomy.
Taxonomy OPEX	Repair and maintenance expenses + short-term lease expenses + IT maintenance expenses	Operational expenses calculated as defined by the EU Commission Delegated Regulation 2021/2178 (including differences described in section '6.6 Disclosures under the EU Taxonomy Regulation').	This indicator shows costs related to maintenance and repair, short-term lease, IT maintenance expenses and is used to calculate operating expenditure KPIs under the EU Taxonomy.

7.4 Performance of the Group companies

The parent company, the Group companies and their performance during the reporting period (2023)[1]

AB "Ignitis grupė"
Parent company – management and coordination of activities of the Group companies

Company code:	301844044
Legal form:	Public Limited Liability Company
Registered address:	Laisvės Ave. 10, Vilnius
Effective ownership interest:	n/a
Share capital:	EUR 1,658,756,293.81
Website:	https://www.ignitisgrupe.lt/en
Email:	grupe@ignitis.lt
Establishment date and register:	28 August 2008, Lithuanian Register of Legal Entities

Performance, EURm	**Consolidated**[2]	**Standalone**
Revenue	2,549.1	225.6
Expenses	(2,041.7)	(10.5)
Adjusted EBITDA	484.7	(7.3)
Net profit	320.2	259.9
Investments	937.1	10.3
Assets	5,244.4	3,445.1
Equity	2,263.4	2,101.1
Liabilities	2,981.0	1,344.0
Number of employees	**4402**	**53**

UAB "Ignitis renewables"
Coordination of operation, supervision, and development of renewable energy projects

Company code:	304988904
Registered address:	Laisvės Ave. 10, Vilnius
Effective ownership interest:	AB "Ignitis grupė" - 100%
Share capital:	EUR 19,021,910.00
Website:	https://ignitisrenewables.com/

Performance, EURm	**Consolidated**[3]	**Standalone**
Revenue	47.9	3.2
Expenses	(26.7)	(13.8)
Adjusted EBITDA	22.0	(10.6)
Net profit	7.5	(9.6)
Investments	513.9	123.3
Assets	1,195.9	982.9
Equity	231.3	208.2
Liabilities	964.6	774.7
Number of employees	**143**	**102**

[1] Unaudited results, except of AB "Ignitis grupė", AB "Energijos skirstymo operatorius", and UAB Elektroninių mokėjimų agentūra.
[2] AB „Ignitis grupė" consolidated numbers include results of all Group companies detailed in section '4.8 Group's structure' of this report.
[3] UAB "Ignitis renewables" consolidated numbers include results of UAB "Ignitis renewables", UAB "Ignitis renewables projektai", Ignitis Renewables Polska sp. z o. o., Ignitis Res Dev sp. z o. o., "Tuuleenergia osaühing", Pomerania Wind Farm sp. z o. o. UAB "EURAKRAS", UAB "VĖJO GŪSIS", UAB "VĖJO VATAS", UAB "Vėjas LT", UAB "VVP Investment", Silezia1 Wind Farm Sp. z o.o., IGN RES DEV1 SIA, IGN RES DEV2 SIA, and Ignitis renewables Latvia SIA., UAB "Plungės vėjo energija", UAB "Ignitis renewables projektai 2", UAB "Ignitis renewables projektai 3", UAB "Ignitis renewables offshore development", UAB "Ignitis renewables projektai 5", UAB "Ignitis renewables projektai 6", UAB "Ignitis renewables projektai 7", UAB „Ignitis renewables projektai 8", IGN RES DEV3 SIA, IGN RES DEV4 SIA, IGN RES DEV5 SIA, IGN RES DEV6 SIA, IGN RES DEV7 SIA and UAB "Vėjo galia bendruomenei", "SP Venta" SIA, SIA CVE, SIA BRVE, Ignitis Res Dev sp. Z.o.oo., Silesia2 Wind Farm S.A., WINDLIT UAB, UAB "Offshore wind farm 1", Estonia Offshore Wind DevCo OU.

UAB "Ignitis renewables projektai"
Development of renewable energy projects

Company code:	305916135
Registered address:	Laisvės Ave. 10, Vilnius
Effective ownership interest:	UAB "Ignitis renewables" - 100%
Share capital:	EUR 3,000
Website:	https://www.ignitisgrupe.lt/en/uab-ignitis-renewables-offshore-development-en

Performance, EURm	
Revenue	-
Expenses	(0.3)
Adjusted EBITDA	(0.3)
Net profit	(0.4)
Investments	0.0
Assets	0.6
Equity	0.5
Liabilities	0.1
Number of employees	**1**

UAB "Ignitis renewables projektai 2"
Development of renewable energy projects

Company code:	306147729
Registered address:	Laisvės Ave. 10, Vilnius
Effective ownership interest:	UAB "Ignitis renewables" - 100%
Share capital:	EUR 2,500
Website:	https://www.ignitisgrupe.lt/en/uab-ignitis-renewables-projektai-2

Performance, EURm	
Revenue	-
Expenses	(0.1)
Adjusted EBITDA	(0.1)
Net profit	(0.1)
Investments	-
Assets	0.1
Equity	(0.1)
Liabilities	0.1
Number of employees	**1**

UAB "Ignitis renewables projektai 3"
Development of renewable energy projects

Company code:	306147711
Registered address:	Laisvės Ave. 10, Vilnius
Effective ownership interest:	UAB "Ignitis renewables" - 100%
Share capital:	EUR 2,500
Website:	https://ignitisgrupe.lt/en/uab-ignitis-renewables-projektai-3

Performance, EURm	
Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.1)
Investments	-
Assets	0.1
Equity	(0.0)
Liabilities	0.1
Number of employees	**1**

UAB "Ignitis renewables offshore development"
Development of renewable energy projects

Company code: 306281817
Registered address: Laisvės Ave. 10, Vilnius
Effective ownership interest: UAB "Ignitis renewables" - 100%
Share capital: EUR 2,500
Website: https://www.ignitisgrupe.lt/en/uab-ignitis-renewables-offshore-development-en

Performance, EURm	
Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.0)
Investments	-
Assets	0.0
Equity	(0.0)
Liabilities	0.0
Number of employees	**0**[1]

UAB "Ignitis renewables projektai 5"
Development of renewable energy projects

Company code: 306281226
Registered address: Laisvės Ave. 10, Vilnius
Effective ownership interest: UAB "Ignitis renewables" - 100%
Share capital: EUR 2,500
Website: https://www.ignitisgrupe.lt/en/uab-ignitis-renewables-projektai-5-en

Performance, EURm	
Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.0)
Investments	-
Assets	0.0
Equity	-
Liabilities	0.0
Number of employees	**1**

UAB "Ignitis renewables projektai 6"
Development of renewable energy projects

Company code: 306280455
Registered address: Laisvės Ave. 10, Vilnius
Effective ownership interest: UAB "Ignitis renewables" - 100%
Share capital: EUR 2,500
Website: https://www.ignitisgrupe.lt/en/uab-ignitis-renewables-projektai-6-en

Performance, EURm	
Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.0)
Investments	0.0
Assets	0.1
Equity	(0.0)
Liabilities	0.1
Number of employees	**1**

[1] *There was no employment contract. A company is represented by elected board member.*

UAB "Ignitis renewables projektai 7"
Development of renewable energy projects

Company code:	306324841
Registered address:	Laisvės Ave. 10, Vilnius
Effective ownership interest:	UAB "Ignitis renewables" - 100%
Share capital:	EUR 1,000
Website:	https://www.ignitisgrupe.lt/en/uab-ignitis-renewables-projektai-7-en

Performance, EURm	
Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.0)
Investments	-
Assets	-
Equity	(0.0)
Liabilities	0.0
Number of employees	**1**

UAB "Ignitis renewables projektai 8"
Development of renewable energy projects

Company code:	306324987
Registered address:	Laisvės Ave. 10, Vilnius
Effective ownership interest:	UAB "Ignitis renewables" - 100%
Share capital:	EUR 1,000
Website:	https://www.ignitisgrupe.lt/en/uab-ignitis-renewables-projektai-8-en

Performance, EURm	
Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.0)
Investments	-
Assets	-
Equity	(0.0)
Liabilities	0.0
Number of employees	**1**

UAB "EURAKRAS"
Generation of renewable electricity

Company code:	300576942
Registered address:	Laisvės Ave. 10, Vilnius
Effective ownership interest:	UAB "Ignitis renewables" - 100%
Share capital:	EUR 4,620,539.04
Website:	https://ignitisgrupe.lt/en/eurakras-uab

Performance, EURm	
Revenue	8.6
Expenses	(1.9)
Adjusted EBITDA	6.7
Net profit	4.6
Investments	-
Assets	982.9
Equity	208.2
Liabilities	774.7
Number of employees	**1**

UAB "VĖJO GŪSIS"
Generation of renewable electricity

Company code:	300149876
Registered address:	Laisvės Ave. 10, Vilnius
Effective ownership interest:	UAB "Ignitis renewables" - 100%
Share capital:	EUR 7,442,720.00
Website:	https://www.ignitisgrupe.lt/en/vejo-gusis-uab

Performance, EURm	
Revenue	5.5
Expenses	(1.5)
Adjusted EBITDA	4.0
Net profit	2.7
Investments	10.8
Assets	24.0
Equity	10.1
Liabilities	13.9
Number of employees	**1**

UAB "VVP Investment"
Development and operation of a renewable energy (wind) project

Company code:	302661590
Registered address:	Laisvės Ave. 10, Vilnius
Effective ownership interest:	UAB "Ignitis renewables" - 100%
Share capital:	EUR 250,214.40
Website:	https://www.ignitisgrupe.lt/en/vvp-investment-uab

Performance, EURm	
Revenue	8.0
Expenses	(2.5)
Adjusted EBITDA	5.5
Net profit	8.5
Investments	12.2
Assets	93.5
Equity	8.5
Liabilities	85.0
Number of employees	**1**

UAB "VĖJO VATAS"
Generation of renewable electricity

Company code:	110860444
Registered address:	Laisvės Ave. 10, Vilnius
Effective ownership interest:	UAB "Ignitis renewables" - 100%
Share capital:	EUR 2,896,000.00
Website:	https://www.ignitisgrupe.lt/en/vejo-vatas-uab

Performance, EURm	
Revenue	4.0
Expenses	(1.4)
Adjusted EBITDA	2.6
Net profit	1.5
Investments	-
Assets	13.7
Equity	4.7
Liabilities	9.0
Number of employees	**1**

UAB "Vėjo galia bendruomenei"
Development of renewable energy projects

Company code: 306163651
Registered address: Laisvės Ave. 10, Vilnius
Effective ownership interest: UAB "Ignitis renewables" - 100%
Share capital: EUR 2,500
Website: https://www.ignitisgrupe.lt/en/uab-vejo-galia-bendruomenei-en

Performance, EURm	
Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.0)
Investments	-
Assets	0.0
Equity	-
Liabilities	0.0
Number of employees	**1**

UAB "Plungės vėjo energija"
Development of renewable energy projects

Company code: 304939316
Registered address: Laisvės Ave. 10, Vilnius
Effective ownership interest: UAB "Ignitis renewables" - 100%
Share capital: EUR 2,500
Website: https://www.ignitisgrupe.lt/en/uab-plunges-vejo-energija-en

Performance, EURm	
Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.0)
Investments	0.1
Assets	0.1
Equity	(0.0)
Liabilities	(0.1)
Number of employees	**1**

UAB "Offshore wind farm 1"
Development of renewable energy projects

Company code: 306640736
Registered address: Laisvės Ave. 10, Vilnius
Effective ownership interest: UAB "Ignitis renewables" - 51%, OW OFFSHORE, S.L. – 49%
Share capital: EUR 1,000
Website: https://ignitisgrupe.lt/en/uab-offshore-wind-farm-1-en

Performance, EURm	
Revenue	-
Expenses	-
Adjusted EBITDA	-
Net profit	-
Investments	-
Assets	0.0
Equity	0.0
Liabilities	-
Number of employees	**0**[1]

[1] *There was no employment contract. A company is represented by elected board member.*

WINDLIT, UAB
Development of renewable energy projects

Company code: 303002760
Registered address: Laisvės Ave. 10, Vilnius
Effective ownership interest: UAB "Ignitis renewables" - 100%
Share capital: EUR 2,929
Website: https://ignitisgrupe.lt/en/windlit-uab

Performance, EURm	
Revenue	-
Expenses	(0.1)
Adjusted EBITDA	(0.1)
Net profit	(0.1)
Investments	47.1
Assets	85.4
Equity	(0.1)
Liabilities	85.5
Number of employees	**1**

UAB "Vėjas LT"
Development of renewable energy projects

Company code: 305156725
Registered address: Laisvės Ave. 10, Vilnius
Effective ownership interest: UAB "Ignitis renewables" - 100%
Share capital: EUR 2,900
Website: https://ignitisgrupe.lt/en/uab-vejas-lt-en

Performance, EURm	
Revenue	0.0
Expenses	(0.2)
Adjusted EBITDA	(0.2)
Net profit	(0.3)
Investments	66.8
Assets	129.5
Equity	(0.5)
Liabilities	(130.1)
Number of employees	**1**

IGN RES DEV1 SIA
Development of renewable energy projects

Company code: 40203389977
Registered address: Gustava Zemgala St. 74A, Rīga, Latvia
Effective ownership interest: UAB "Ignitis renewables" - 100%
Share capital: EUR 500,000.00
Website: https://ignitisgrupe.lt/en/ign-res-dev1-sia-en

Performance, EURm	
Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.0)
Investments	0.0
Assets	0.5
Equity	0.5
Liabilities	-
Number of employees	**0**[1]

[1] *There was no employment contract. A company is represented by elected board member.*

IGN RES DEV2 SIA
Development of renewable energy projects

Company code: 40203390251
Registered address: Gustava Zemgala St. 74A, Rīga, Latvia
Effective ownership interest: UAB "Ignitis renewables" - 100%
Share capital: EUR 500,000.00
Website: https://ignitisgrupe.lt/en/ign-res-dev2-sia-en

Performance, EURm	
Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.0)
Investments	0.2
Assets	0.5
Equity	0.5
Liabilities	0.0
Number of employees	**0**[1]

IGN RES DEV3 SIA
Development of renewable energy projects

Company code: 40203421195
Registered address: Gustava Zemgala St. 74A, Rīga, Latvia
Effective ownership interest: UAB "Ignitis renewables" - 100%
Share capital: EUR 77,784.00
Website: https://ignitisgrupe.lt/en/ign-res-dev3-sia-en

Performance, EURm	
Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.0)
Investments	-
Assets	0.1
Equity	0.1
Liabilities	-
Number of employees	**0**[1]

IGN RES DEV4 SIA
Development of renewable energy projects

Company code: 40203420931
Registered address: Gustava Zemgala St. 74A, Rīga, Latvia
Effective ownership interest: UAB "Ignitis renewables" - 100%
Share capital: EUR 77,784.00
Website: https://ignitisgrupe.lt/en/ign-res-dev4-sia-en

Performance, EURm	
Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.0)
Investments	-
Assets	0.1
Equity	0.1
Liabilities	-
Number of employees	**0**[1]

[1] *There was no employment contract. A company is represented by elected board member.*

IGN RES DEV5 SIA
Development of renewable energy projects

Company code:	40203447438
Registered address:	Gustava Zemgala St. 74A, Rīga, Latvia
Effective ownership interest:	UAB "Ignitis renewables" - 100%
Share capital:	EUR 2,800
Website:	https://ignitisgrupe.lt/en/ign-res-dev5-sia-en

Performance, EURm	
Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.0)
Investments	0.1
Assets	0.1
Equity	(0.0)
Liabilities	0.1
Number of employees	**0**[1]

IGN RES DEV6 SIA
Development of renewable energy projects

Company code:	40203447423
Registered address:	Gustava Zemgala St. 74A, Rīga, Latvia
Effective ownership interest:	UAB "Ignitis renewables" - 100%
Share capital:	EUR 2,800
Website:	https://ignitisgrupe.lt/en/ign-res-dev6-sia-en

Performance, EURm	
Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.0)
Investments	0.0
Assets	0.1
Equity	(0.0)
Liabilities	0.1
Number of employees	**0**[1]

IGN RES DEV7 SIA
Development of renewable energy projects

Company code:	40203486933
Registered address:	Gustava Zemgala St. 74A, Rīga, Latvia
Effective ownership interest:	UAB "Ignitis renewables" - 100%
Share capital:	EUR 2,800
Website:	https://www.ignitisgrupe.lt/en/ign-res-dev7-sia-en

Performance, EURm	
Revenue	-
Expenses	-
Adjusted EBITDA	-
Net profit	-
Investments	-
Assets	0.0
Equity	0.0
Liabilities	-
Number of employees	**0**[1]

[1] *There was no employment contract. A company is represented by elected board member.*

Ignitis renewables Latvia SIA
Development of renewable energy projects

Company code:	40203380662
Registered address:	Gustava Zemgala St. 74A, Rīga, Latvia
Effective ownership interest:	UAB "Ignitis renewables" - 100%
Share capital:	EUR 2,000,000.00
Website:	https://ignitisgrupe.lt/en/ignitis-renewables-latvia-sia

Performance, EURm	
Revenue	0.1
Expenses	(1.3)
Adjusted EBITDA	(1.2)
Net profit	(1.3)
Investments	0.1
Assets	1.1
Equity	0.5
Liabilities	0.6
Number of employees	**23**

"SP Venta" SIA
Development of renewable energy projects

Company code:	42403048591
Registered address:	Gustava Zemgala St. 74A, Rīga, Latvia
Effective ownership interest:	UAB "Ignitis renewables" - 100%
Share capital:	EUR 793,800
Website:	https://www.ignitisgrupe.lt/en/sp-venta-sia-en

Performance, EURm	
Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.1)
Investments	2.7
Assets	3.5
Equity	0.7
Liabilities	2.8
Number of employees	**0**[1]

SIA CVE
Development of renewable energy projects

Company code:	42103097282
Registered address:	Gustava Zemgala St. 74A, Rīga, Latvia
Effective ownership interest:	UAB "Ignitis renewables" - 100%
Share capital:	EUR 3,945
Website:	https://www.ignitisgrupe.lt/en/sia-cve-en

Performance, EURm	
Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.0)
Investments	0.5
Assets	0.7
Equity	0.2
Liabilities	0.5
Number of employees	**0**[1]

[1] *There was no employment contract. A company is represented by elected board member.*

SIA BRVE
Development of renewable energy projects

Company code: 45403057233
Registered address: Gustava Zemgala St. 74A, Rīga, Latvia
Effective ownership interest: UAB "Ignitis renewables" - 100%
Share capital: EUR 3,000
Website: https://www.ignitisgrupe.lt/en/sia-brve-en

Performance, EURm	
Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.0)
Investments	0.1
Assets	0.3
Equity	(0.0)
Liabilities	0.4
Number of employees	**0**[1]

"Tuuleenergia osaühing"
Operation of wind farms

Company code: 10470014
Registered address: Harju maakond, Tallinn, Kesklinna linnaosa, Liivalaia tn 45, 10145
Effective ownership interest: UAB "Ignitis renewables" - 100%
Share capital: EUR 499,488
Website: https://ignitisgrupe.lt/en/tuuleenergia-osauhing

Performance, EURm	
Revenue	8.3
Expenses	(1.0)
Adjusted EBITDA	7.3
Net profit	4.7
Investments	-
Assets	32.7
Equity	13.9
Liabilities	18.8
Number of employees	**3**

Pomerania Wind Farm sp. z o. o.
Coordination of operation, supervision, and development of renewable energy projects

Company code: 0000450928
Registered address: Puławska St. 2B, 02-566 Warsaw, Poland
Effective ownership interest: UAB "Ignitis renewables" - 100%
Share capital: PLN 44,500
Website: https://ignitisgrupe.lt/en/pomerania-wind-farm-sp-z-o-o

Performance, EURm	
Revenue	16.6
Expenses	(5.0)
Adjusted EBITDA	11.6
Net profit	4.9
Investments	-
Assets	156.0
Equity	42.7
Liabilities	113.2
Number of employees	**0**[1]

[1] *There was no employment contract. A company is represented by elected board member.*

Silezia1 Wind Farm Sp. z o. o.
Development and operation of a renewable energy (wind) project

Company code:	0000531275
Registered address:	Puławska St. 2A, 02-566 Warsaw, Poland
Effective ownership interest:	UAB "Ignitis renewables" - 100%
Share capital:	PLN 78,414,050.00
Website:	https://ignitisgrupe.lt/en/silesia1-wind-farm-sp-z-oo

Performance, EURm	
Revenue	-
Expenses	(0.3)
Adjusted EBITDA	(0.3)
Net profit	(0.1)
Investments	44.5
Assets	74.6
Equity	47.0
Liabilities	27.6
Number of employees	**0[1]**

Ignitis Renewables Polska sp. z o. o.
Development of renewable energy projects

Company code:	0000871214
Registered address:	Puławska St. 2B, 02-566 Warsaw, Poland
Effective ownership interest:	UAB "Ignitis renewables" - 100%
Share capital:	PLN 37,500
Website:	https://ignitisgrupe.lt/en/Ignitis-Renewables-Polska

Performance, EURm	
Revenue	0.4
Expenses	(2.6)
Adjusted EBITDA	(2.2)
Net profit	(3.2)
Investments	-
Assets	33.7
Equity	33.2
Liabilities	0.5
Number of employees	**0[1]**

Ignitis Res Dev sp. z o. o.
Development of renewable energy projects

Company code:	0000873356
Registered address:	Puławska St. 2B, 02-566 Warsaw, Poland
Effective ownership interest:	Ignitis Renewables Polska sp. z o. o. - 100%
Share capital:	PLN 5,000
Website:	https://www.ignitisgrupe.lt/en/ignitis-res-dev

Performance, EURm	
Revenue	-
Expenses	(0.1)
Adjusted EBITDA	(0.1)
Net profit	(0.1)
Investments	0.1
Assets	0.4
Equity	(0.1)
Liabilities	0.6
Number of employees	**0[1]**

[1] *There was no employment contract. A company is represented by elected board member.*

Silesia2 Wind Farm S.A.
Development of renewable energy projects

Company code: 0000508979
Registered address: Puławska St. 2A, 02-566 Warsaw, Poland
Effective ownership interest: UAB "Ignitis renewables" - 100%
Share capital: PLN 102,567,311.00
Website: https://www.ignitisgrupe.lt/en/silesia2-wind-farm-sa

Performance, EURm	
Revenue	-
Expenses	(0.4)
Adjusted EBITDA	(0.4)
Net profit	1.4
Investments	163.1
Assets	235.9
Equity	95.3
Liabilities	140.6
Number of employees	**0[1]**

Estonia Offshore Wind DevCo OÜ
Development of renewable energy projects

Company code: 16827546
Registered address: Harju maakond, Tallinn, Kesklinna linnaosa, Hobujaama tn 4, 10151
Effective ownership interest: UAB "Ignitis renewables projektai 6" – 50%,
CI NMF Estonia Sea I HoldCo Co öperatief U.A. – 50%
Share capital: EUR 10,000
Website: https://www.ignitisgrupe.lt/en/estonia-offshore-wind-devco-ou

Performance, EURm	
Revenue	-
Expenses	-
Adjusted EBITDA	-
Net profit	-
Investments	-
Assets	0.0
Equity	0.0
Liabilities	-
Number of employees	**0[1]**

UAB Vilniaus kogeneracinė jėgainė
Development and operation of cogeneration power plant project

Company code: 303782367
Registered address: Laisvės Ave. 10, Vilnius
Effective ownership interest : AB "Ignitis grupė" - 100%
Share capital: EUR 52,300,000.12
Website: https://vkj.lt/en

Performance, EURm	
Revenue	61.8
Expenses	(24.1)
Adjusted EBITDA	37.7
Net profit	25.2
Investments	53.4
Assets	452.3
Equity	102.0
Liabilities	350.3
Number of employees	**128**

[1] *There was no employment contract. A company is represented by elected board member.*

UAB Kauno kogeneracinė jėgainė
Electricity and heat production from waste

Company code: 303792888
Registered address: Jėgainės St. 6, Biruliškės, Karmėlava mun., Kaunas district
Effective ownership interest: AB "Ignitis grupė" – 51%, UAB Gren Lietuva – 49%
Share capital: EUR 40,000,000
Website: https://www.kkj.lt/en

Performance, EURm	
Revenue	53.6
Expenses	(17.8)
Adjusted EBITDA	35.8
Net profit	25.4
Investments	0.6
Assets	179.1
Equity	69.4
Liabilities	109.7
Number of employees	**41**

AB "Ignitis gamyba"
Generation and trading of electricity

Company code: 302648707
Registered address: Elektrinės St. 21, Elektrėnai
Effective ownership interest: AB "Ignitis grupė" - 100%
Share capital: EUR 90,000,000.12
Website: https://www.ignitisgamyba.lt/en

Performance, EURm	
Revenue	306.7
Expenses	(129.9)
Adjusted EBITDA	176.1
Net profit	137.4
Investments	29.5
Assets	606.4
Equity	337.8
Liabilities	268.6
Number of employees	**373**

AB "Energijos skirstymo operatorius"
Distribution of electricity and natural gas, supply of last resort service

Company code: 304151376
Registered address: Laisvės Ave. 10, Vilnius
Effective ownership interest: AB "Ignitis grupė" - 100%
Share capital: EUR 259,442,796.57
Website: https://www.eso.lt/en/home.html

Performance, EURm	
Revenue	594.7
Expenses	299.9
Adjusted EBITDA	182.7
Net profit	154.5
Investments	345.1
Assets	2,196.8
Equity	731.2
Liabilities	1,465.5
Number of employees	**2595**

UAB “Ignitis”
Electricity and natural gas supply, trading, energy efficiency projects

Company code: 303383884
Registered address: Laisvės Ave. 10, Vilnius
Effective ownership interest: AB "Ignitis grupė" - 100%
Share capital: EUR 40,140,00.26
Website: https://ignitis.lt/en/electricity-home

Performance, EURm	Consolidated[1]	Standalone
Revenue	1,646.8	1,382.0
Expenses	(1,727.0)	(1,455.6)
Adjusted EBITDA	10.0	16.6
Net profit	(84.0)	(67.5)
Investments	23.9	19.1
Assets	548.7	499.3
Equity	94.4	96.7
Liabilities	454.3	402.6
Number of employees	**410**	**362**

Ignitis Latvia, SIA
Electricity and natural gas supply, trading, energy efficiency projects

Company code: 40103642991
Registered address: Gustava Zemgala St. 74A, Riga, Latvia
Effective ownership interest: UAB “Ignitis” - 100%
Share capital: EUR 11,500,000
Website: https://ignitis.lv/

Performance, EURm	
Revenue	102.9
Expenses	(105.9)
Adjusted EBITDA	(3.0)
Net profit	(3.0)
Investments	4.7
Assets	25.4
Equity	11.8
Liabilities	13.6
Number of employees	**25**

Ignitis Eesti OÜ
Supply of electricity

Company code: 12433862
Registered address: Narva St. 5, 10117 Tallinn, Estonia
Effective ownership interest: UAB “Ignitis” - 100%
Share capital: EUR 170,000
Website: https://ignitis.lt/ee/ari

Performance, EURm	
Revenue	0.0
Expenses	(0.1)
Adjusted EBITDA	(0.1)
Net profit	(0.1)
Investments	0.0
Assets	2.0
Equity	(0.1)
Liabilities	2.1
Number of employees	**6**

[1] *UAB “Ignitis” consolidated numbers include results of Ignitis Latvija SIA, Ignitis Eesti OÜ, Ignitis Polska Sp. z o. o., Ignitis Suomi Oy.*

Ignitis Polska sp. z o. o.
Supply and trading of electricity

Company code: 0000681577
Registered address: Puławska St. 2A, 02-566, Warsaw, Poland
Effective ownership interest: UAB "Ignitis" - 100%
Share capital: PLN 10,500,000
Website: https://ignitis.pl/en/

Performance, EURm	
Revenue	148.8
Expenses	148.1
Adjusted EBITDA	0.7
Net profit	0.7
Investments	0.0
Assets	56.5
Equity	1.8
Liabilities	54.7
Number of employees	**15**

Ignitis Suomi Oy
Supply of natural gas

Company code: 3202810-4
Registered address: Firdonkatu 2, Workery West, 6th floor 00520 Helsinki, Finland
Effective ownership interest: UAB "Ignitis" - 100%
Share capital: EUR 200,000
Website: https://ignitis.fi/

Performance, EURm	
Revenue	167.2
Expenses	168.5
Adjusted EBITDA	(1.3)
Net profit	(2.0)
Investments	0.0
Assets	42.0
Equity	0.2
Liabilities	41.8
Number of employees	**2**

UAB "Ignitis grupės paslaugų centras"
Shared business support services

Company code: 303200016
Registered address: Laisvės Ave. 10, Vilnius
Effective ownership interest: AB "Ignitis grupė" - 100%
Share capital: EUR 12,269,006.25
Website: https://ignitisgrupe.lt/en/ignitis-grupes-paslaugu-centras-uab

Performance, EURm	
Revenue	40.6
Expenses	33.7
Adjusted EBITDA	6.9
Net profit	1.0
Investments	10.1
Assets	37.9
Equity	14.5
Liabilities	23.4
Number of employees	**612**

UAB Elektroninių mokėjimų agentūra
Payment aggregation

Company code:	136031358
Registered address:	Laisvės Ave. 10, Vilnius
Effective ownership interest:	AB "Ignitis grupė" - 100%
Share capital:	EUR 400,000
Website:	https://ignitisgrupe.lt/en/elektroniniu-mokejimu-agentura-uab

Performance, EURm	
Revenue	0.9
Expenses	(0.6)
Adjusted EBITDA	0.4
Net profit	0.3
Investments	0.1
Assets	1.0
Equity	0.9
Liabilities	0.1
Number of employees	**6**

UAB "Gamybos optimizavimas"
Planning, optimization, forecasting, trading, brokering and other electricity related services

Company code:	304972024
Registered address:	Laisvės Ave. 10, Vilnius
Effective ownership interest:	AB "Ignitis grupė" - 100%
Share capital:	EUR 350,000
Website:	https://ignitisgrupe.lt/en/gamybos-optimizavimas-uab

Performance, EURm	
Revenue	1.0
Expenses	(0.9)
Adjusted EBITDA	0.1
Net profit	0.1
Investments	-
Assets	0.7
Equity	0.5
Liabilities	0.2
Number of employees	**8**

UAB "Transporto valdymas"
Vehicle rental, leasing, repair, maintenance, renewal, and service

Company code:	304766704
Registered address:	Laisvės Ave. 10, Vilnius
Effective ownership interest:	AB "Ignitis grupė" - 100%
Share capital:	EUR 2,359,371.20
Website:	https://www.tpvaldymas.eu/en/

Performance, EURm	
Revenue	4.8
Expenses	(2.1)
Adjusted EBITDA	2.8
Net profit	1.1
Investments	-
Assets	16.0
Equity	10.6
Liabilities	5.5
Number of employees	**12**

7.5 Compliance with the Corporate Governance Code

AB "Ignitis grupė" (the parent company), acting in compliance with Article 12(3) of the Law on Securities of the Republic of Lithuania (link in Lithuanian) and paragraph 24.5 of the Listing Rules of Nasdaq Vilnius AB, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius AB as well as its specific provisions or recommendations. In case of non-compliance with some of the provisions or recommendations of this Code or in case the requirements not being applicable the reasons are specified in the table below.

Overview of corporate governance

The corporate governance model of the Group was implemented following the governance guidelines approved by the Ministry of Finance of the Republic of Lithuania on 7 June 2013. The guidelines were updated several times and the current version was approved on 30 August 2022.

Corporate governance activities are concentrated at the level of the parent company of the Group – the responsibilities of which involve coordination of such areas as finance, law, planning and monitoring, human resources, risk management, audit, technology, communication and other common areas of the Group entities. Activities of the Group entities in these areas are based on mutual agreement, i.e. cooperation with a focus on achievement of common result, and they are coordinated by policies (common provisions and norms) applicable to all Group entities. Use this link for the description of the corporate governance principles and of the governance and control system. More information on the management bodies and its members, committees etc. is provided in the section '4 Governance report' of this report and in the table below, in which information on compliance with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius is disclosed.

The Group's disclosure was prepared in accordance with the current version of the Corporate Governance Code for the Companies listed on Nasdaq Vilnius, approved at the meeting of the Management Board of AB Nasdaq Vilnius on 15 January 2019 (Minutes No. 19-63), at the meeting of the Bank of Lithuania on 7 January 2019 (Decision No. 241-3).

Full-scope Governance report is available in section 4 of this report.

Ignitis Group office in Vilnius

Principles / recommendations	Yes / No / Not applicable	Commentary
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights. The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	All information that shall be public in accordance with legal acts is published in Lithuanian and English via informational system of stock-exchange Nasdaq Vilnius, London and Luxembourg and on the website of the parent company. The place, date and time of the General Meeting of Shareholders convened by the parent company is determined in order to enable all shareholders to participate in the decision-making process where significant corporate matters are discussed.
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes	The parent company's authorized share capital consists of EUR 22.33 nominal value ordinary registered shares, which provide their holders equal property and non-property rights.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The rights provided by the shares are indicated in the parent company's Articles of Association, which is publicly available on the parent company's website.

1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	Yes	The Articles of Association of the parent company provide that the General Meeting of Shareholders shall approve these particularly important decisions regarding:
		– the parent company becoming a founder or participant of other legal entities (except the decisions regarding becoming a founder or participant of associations);
		– the following of the companies of the Group companies of the parent company which have the status of companies of importance to national security and engage in generation, distribution and supply activities in the energy sector as well as of companies directly managed by the parent company which engage in activities in the energy generation sector:
		  – transfer, pledge, other restriction or disposal of shares or rights attached thereto;
		  – increase or reduction of the authorised capital or other actions that may alter the structure of the authorised capital (e.g. issue of convertible bonds);
		  – reorganization, separation, restructuring, liquidation, transformation or other actions changing the status of these companies;
		  – transfer of business or a substantial part of it.

1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes	The parent company convenes General Meetings of Shareholders and implements other meeting-related procedures in accordance with the procedure established in the Law on Companies of the Republic of Lithuania and provides all shareholders with equal opportunities to participate in the meeting, get familiarized with the draft resolutions and materials necessary for adopting the decisions. The notice of General Meetings of Shareholders specifies that the proposed draft decisions could be submitted at any time before or during the General Meeting of Shareholders in accordance to Law on Companies of the Republic of Lithuania.

Principles / recommendations	Yes / No / Not applicable	Commentary
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	All documents and information related to the General Meeting of Shareholders including notices of the meetings, draft decisions, decisions of the meetings are publicly announced in Lithuanian and English via information system of Nasdaq Vilnius and London stock exchange and on the parent company's website
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	All shareholders may exercise their right to attend the General Meeting of Shareholders under the procedure laid down in the legal acts and this right is not restricted. The parent company provides information on how to implement this right in the notice of General Meeting of Shareholders.
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	No	At the moment the parent company does not comply with this recommendation as there are no means to ensure proper identification of the voting persons using electronic means of communication. Nevertheless the parent company is actively looking for ways to address this issue.
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	Yes	Information on candidates to a collegial body of a state-controlled company elected by the General Meeting of Shareholders is provided under the procedure established in the laws. The nominees are publicly announced as soon as the parent company receives nominations. The selection procedures and selection requirements are set by separate legal acts. Information on the candidate's education, work experience, competence, position held and former positions (CV), their proposed remuneration and other documents specified in the legal acts are provided with the notice of General Meeting of Shareholders. The name of proposed audit company and proposed remuneration for the audit services are presented in advance as a proposed draft decision for the General Meeting of Shareholders.
1.10. Members of the company's collegial management body, heads of the administration[1] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	Usually General Meetings of Shareholders of the parent company are attended by members of management bodies and other competent persons in order to provide information related to the agenda of the General Meeting of Shareholders to the shareholders. The General Meeting of Shareholders of the parent company held on 27 September 2021 was also attended by the candidates to the Audit Committee of the parent company, where they introduced themselves. The candidates to the Supervisory Board of the parent company had to participate in and introduce themselves at the General Meeting of Shareholders of the parent company held on 26 October 2021. The introduction of the candidates did not occur because not a single shareholder participated in the meeting in person (i.e., all shareholders who participated in the meeting had voted in advance).

[1] *For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.*

Principles / recommendations	Yes / No / Not applicable	Commentary
Principle 2: Supervisory board		
2.1. Functions and liability of the supervisory board **The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.** **The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.**		
2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Yes	All members of the Supervisory Board act in good will with respect to the parent company, with due regard to the parent company's interests and public welfare. The duties set out in this recommendation are embedded in the agreement on activities of a member of the Supervisory Board and agreement on activities of an independent member of the Supervisory Board.
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Yes	Collegial bodies of the parent company follow the prescribed recommendations. Before taking decisions, members of the collegial bodies discuss their influence to the parent company's performance and the shareholders. The parent company's Articles of Association oblige the collegial bodies of the parent company and also each of their members to act on behalf of the parent company and its shareholders. Communication with the shareholders and obligations for them are established in accordance with requirements of legal acts.
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Yes	The parent company's Supervisory Board is independent from the parent company's management bodies and takes decisions that are significant to the parent company's activities and strategy, acts independently in accordance with requirements of legal acts.
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[1] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Yes	Members of the Supervisory Board have the right to express their opinion concerning all questions included to the agenda that according to work regulations of the Supervisory Board must be properly reflected in the minutes of the meeting. The duties set out in this recommendation are embedded in the agreement on activities of a member of the Supervisory Board and agreement on activities of an independent member of the Supervisory Board.
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Yes	In exercising its competence to supervise the activities of the parent company's management bodies, the Supervisory Board performs the duties specified in the recommendation and submits its opinion on tax planning issues.
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Yes	The parent company ensures that the Supervisory Board is supplied with all of the resources required for its activities (monitors technical aspects of the Supervisory Board meetings, provides all the required information and performs other functions specified in the Supervisory Board's Work Regulations). Agreement of activities of a member of the supervisory board defines that the parent company commits to creating proper working conditions for the supervisory board and its members by supplying them with technical and administrative tools required for work. The Articles of Association set out that the supervisory board has the right to apply to the board and chief executive officer asking for documents and information pertaining to the parent company's operations, and the management board and chief executive officer must ensure that the documents and information so requested are produced to the supervisory board within reasonable time. The provision regarding supply of information is also included in the agreement on activities of a member of the supervisory board.

[1] *For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania (link in Lithuanian).*

Principles / recommendations	Yes / No / Not applicable	Commentary
2.2. Formation of the supervisory board **The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.**		
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Yes	Pursuant to the Law on Companies of the Republic of Lithuania, the Supervisory Board is elected and the qualification of its members is assessed at the General Meeting of Shareholders. Four out of seven members are women. The main activities of the parent company are the exercise of the functions of the parent company of the group, and the majority of the members of the Supervisory Board have experience in the field of corporate governance as well as experience in energy sector which is the sector in which the parent company and its subsidiaries operate.
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Yes	The members of the Supervisory Board are elected according to the maximum term of office, specified in the Law on Companies of the Republic of Lithuania – for 4 years per term of office. The parent company's Articles of Association provide a possibility to revoke (dismiss) both separate members of the Supervisory Board and the whole Supervisory Board in corpore, without waiting for their mandates' terms to end. The members of the Supervisory Board (separate or the body itself) may be dismissed by the General Shareholder Meeting. There are no restrictions provided in the Articles of Association of the parent company limiting the re-election of members of the Supervisory Board, however, there are restrictions established in the effective legal acts which apply for the candidates to collegial bodies themselves.
2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Yes	The Chair of the parent company's Supervisory Board and the CEO of the parent company is not the same person. The Chair of the parent company's Supervisory Board is independent. The members of the Supervisory Board and the Chair have not been members of the Management Board of the parent company or the CEO of the parent company.
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Yes	Members of the Supervisory Board are active participants of the meetings of the collegial body and devote sufficient time to perform their duties as members of the collegial body. There were 19 Supervisory Board meetings held in 2023 and all of the meetings were attended by all Supervisory Board members.
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	Yes	Information on the candidates to the parent company's Supervisory Board members (as well as information on the candidate's compliance with the independence requirements) is provided to the General Meeting of Shareholders in accordance with the Law on Companies of the Republic of Lithuania (see commentary on recommendation 1.9).

Principles / recommendations	Yes / No / Not applicable	Commentary
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Yes	The independent member of the Supervisory Board is remunerated for his/her activity in the Supervisory Board according to the procedure and terms established in the agreement signed with him on activity as an independent member of the Supervisory Board. The conditions of the agreement with the independent member of the Supervisory Board are approved by the General Meeting of Shareholders. According to the Corporate Governance Guidelines, the amount of remuneration to the independent member of the Supervisory Board has been limited to a maximum amount calculated in proportion to the remuneration of the CEO of the parent company (1/4 of the CEO's remuneration to an independent member of the Supervisory Board and 1/3 of the Independent Chair of the Supervisory Board).
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	Yes	The Supervisory Board carries out an assessment of its activities every year. The Supervisory Board assesses the organisation of meetings, efficiency, the need for competences, mutual cooperation, and sufficiency of the information provided by the management for decision-making. Information on the internal structure and working procedures of the Supervisory Board is published in the parent company's annual reports and on the website. In 2021, external consultants Nestor Advisors were engaged to assess the activities of the Supervisory Board of the parent company and its committees. The consultants assessed the activities of the Supervisory Board and its committees and submitted recommendations for improvement in accordance with international good practices. The procurement of a new consultant is currently underway, and a new external assessment of the activities of the Supervisory Board and committees is planned for the first half of 2024.
Principle 3: Management Board		
3.1. Functions and liability of the management board **The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.**		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	Yes	The parent company's Management Board carries out the duty of implementation of the parent company's strategy approved by the parent company's Supervisory Board.
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the Articles of Association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes	As there is the Supervisory Board formed in the parent company, the Management Board performs the functions of the parent company's collegial management body. The obligation to take into account the interests of the parent company, the shareholders, the employees and other stakeholders is established in the agreement on performance in the Management Board signed by each member of the Management Board.
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes	The Management Board of the parent company adheres to the above-mentioned recommendation, approves and ensures compliance with internal policies.

Principles / recommendations	Yes / No / Not applicable	Commentary
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[1] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes	The Management Board of the parent company follows the above-mentioned recommendation.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	Yes	When appointing the CEO of the parent company the Management Board takes into account the balance of his/her qualifications, experience and competence as well as the opinion of the parent company's Supervisory Board.
3.2. Formation of the management board		
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes	The Management Board of the parent company ensures the balance of its members' qualifications. The main activities of the parent company are the exercise of the functions of the parent company of the group, and the majority of the members of the Management Board have experience in the field of corporate governance as well as experience in energy sector which is the sector in which the parent company and its subsidiaries operate.
3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	Yes	Information on candidates to the Management Board of a state-controlled company is provided under the procedure established in the laws. The selection procedures and selection requirements are set by separate legal acts. An opinion on the suitability of candidates is submitted by the Selection Commission formed in accordance with the procedure established by legal acts. Information on the candidate's education, work experience, competence, position held and former positions (CV), declaration of interests and other documents specified in the legal acts are provided at the meeting of the parent company's Supervisory Board, which elects the Management Board or its individual members. Information on offices held by members of the Management Board or their involvement in activities of any other companies is constantly collected, accumulated, and published in the annual report, as well as on the parent company's website.
3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company.	Yes	The members of the Management Board after their election are acquainted with the parent company's activities, organizational and management structure, strategy, activities and financial plans.
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	Yes	The members of the Management Board are elected according to the maximum term of office, specified in the Law on Companies of the Republic of Lithuania – for 4 years per term of office. Limitations concerning re-election of the members of the Management Board are not provided in the parent company's Articles of Association, nevertheless, limitations provided by valid legal acts are applied to candidates to members of the Management Board. The parent company's Articles of Association provide a possibility to revoke (dismiss) both separate members of the Management Board and the whole collegial body in corpore, without waiting for their mandates' terms to end. The members of the Management Board (separate or the body itself) may be dismissed by the Supervisory Board.

[1] *Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf*

Principles / recommendations	Yes / No / Not applicable	Commentary
3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	Yes	Current or past positions of the Chair of the Management Board of the parent company do not create preconditions for possible impartiality. The Chair of the Management Board of the parent company is a member of the Management Board and CEO of the parent company, but in this case the impartiality of its activities is ensured, as there is the Supervisory Board formed in the parent company.
3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof.	Yes	The members of the Management Board of the parent company actively participate in the meetings of the Management Board and devoted sufficient time to the performance of their duties as a member of the collegial body. In 2023, all members of the Management Board participated in all meetings of the Management Board.
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent[1], it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applicable	There is the Supervisory Board formed in the parent company.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	Not applicable	The parent company has a Supervisory Board that has the competence to elect and revoke the members of the Management Board, set the remuneration of the Management Board members. The remuneration of the Management Board members is determined in accordance with the Group Remuneration Policy, which is approved by the resolution of the General Meeting of Shareholders of the parent company.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes	The members of the Management Board act in good faith towards the parent company and in accordance with the interests of the parent company and taking into account the welfare of the society.
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	Yes	Each year the members of the parent company's Management Board perform an assessment of their activities by completing the questionnaires, which include the evaluation of the work of the Management Board. Information on the internal structure and working procedures of the Management Board is published in the parent company's annual report.

[1] *For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.*

Principles / recommendations	Yes / No / Not applicable	Commentary
Principle 4: Rules of procedure of the supervisory board and the management board of the company **The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.**		
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform the supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Yes	Legal acts, Articles of Association and rules of procedure governing activities of the parent company's supervisory and management bodies lay down the principles and procedure of cooperation between supervisory and management bodies of the parent company and ensure that management and supervisory bodies cooperate to attain the greatest possible benefit to the parent company and its shareholders.
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	Yes	Meetings of collegial bodies proceed according to the pre-approved schedule. An annual plan of meetings and their agendas are formed for the Supervisory Board which, with consideration to activities of the Group and processes going on in them, are supplemented in the course of the year. Meetings of the Supervisory Board are held at least once a month and of the Management Board – once a week. Members of the Supervisory Board suggest issues to be discussed during meetings. Members of the Supervisory Board are familiarized with activities pursued not only by the parent company, but also those of subsidiary companies of the Group.
4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	Yes	Members of the collegial body are informed on the agenda of a meeting in advance. The agenda of the future meeting is discussed at the end of the current meeting, and issues are included into the agenda of the future meeting by consensus. In the course of the meeting, the agenda is not usually changed. All members of collegial bodies receive the material necessary for decision-making on issues on the agenda in advance and have a possibility to become familiar with them, also to ask questions before the meeting and during the meeting; they have the right to suggest that materials of the issue discussed should be supplemented, or ask to specify it. All members of the collegial bodies are informed about any received comments or specification.
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and closely cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	Yes	Members of the Supervisory Board have the right to express their opinion concerning all questions included in the agenda that according to work regulations of the Supervisory Board must be properly reflected in the minutes of the meeting. The duties set out in this recommendation are embedded in the agreement on activities of a member of the Supervisory Board and agreement on activities of an independent member of the Supervisory Board.

Principles / recommendations	Yes / No / Not applicable	Commentary
Principle 5: Nomination, remuneration and audit committees		
5.1. Purpose and formation of committees **The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.** **Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.**		
5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[1].	Yes	The parent company forms the following Supervisory Board committees: Risk Management and Sustainability Committee and Nomination and Remuneration Committee, also the Audit Committee, which is formed by the decision of the General Meeting of Shareholders. All aforementioned committees operate at the Group level.
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	Not applicable	
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	Not applicable	See the comments for recommendation 5.1.1.
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	Yes	Committees consist of at least 3 members by involving also independent members (The current Risk Management and Sustainability Committee comprises four members: two members of the Supervisory Board and two external independent members. Chair of the committee is independent member.
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	Yes	Nomination and Remuneration Committee and Risk Management and Sustainability Committee are advisory bodies to the Supervisory Board. Their Regulations are approved, and their members are elected by the Supervisory Board. Members of the Audit Committee are elected, and its Regulations are approved by the General Meeting of Shareholders. The committees of the Supervisory Board submit the report on their activities at least once in 6 (six) months, which they present at the Supervisory Board meeting. The Audit Committee provides performance report to the General Meeting and the Supervisory Board when a set of financial statements is submitted for the approval of the General Meeting of the parent company). Information on composition of the committees, the number of meetings, attendance and main activities are disclosed in the parent company's annual report and on the website.

Principles / recommendations	Yes / No / Not applicable	Commentary
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	Yes	All Chairs of committees are independent members, there are members of the Supervisory Board in the composition of the committees. The members of the Supervisory Board have the right to attend meetings of committees. If necessary, at the invitation of committees, particular employees or experts attend the meetings.
5.2. Nomination committee		
5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning.	Yes	The main functions of the Nomination and Remuneration Committee are described in the Corporate Governance Guidelines and conform with, however, not limited to, the functions laid down in this principle.
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.	Yes	The Nomination and Remuneration Committee submits an opinion on candidatures to the management and supervision bodies of the Group companies (if necessary, it may submit an opinion also regarding other candidatures). An opinion on the suitability of the mentioned candidatures (including the CEO) is also submitted by the parent company's Supervisory Board. Decisions on the approval of such candidatures are adopted by the Management Board.
5.3. Remuneration committee		
5.3.1. The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.	Yes	The main functions of the Nomination and Remuneration Committee are described in the Corporate Governance Guidelines and comply with, however, are not limited to, the functions listed in this principle.

Principles / recommendations	Yes / No / Not applicable	Commentary
5.4. Audit committee		
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[1].	Yes	The main functions of the Audit Committee are described in the Corporate Governance Guidelines and conform with the functions laid down in the legal acts regulating the activities of the audit committee.
5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	Yes	All members of the Audit Committee are provided with detailed information on specific issues of the parent company's accounting system.
5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	Yes	Meetings of the Audit Committee are attended by, upon invitation of the committee, CFO of the Group, and, if necessary, by other employees when discussing specific issues. The Audit Committee also cooperates with other committees, and, if necessary, joint meetings are organised. If necessary, a meeting of the Audit Committee is attended by representatives of the company conducting an independent audit of financial statements.
5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	Yes	The Audit Committee receives the information referred to in this paragraph, approves the annual plan of internal audit. The Internal Audit informs the Audit Committee on the implementation of internal audit plans and submits reports. If necessary, a meeting of the Audit Committee is attended by representatives of the company conducting an independent audit of financial statements. The Audit Committee submits reports on its activities to the Supervisory and Management Boards when annual and six-month reports must be approved.
5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	Yes	Audit Committee performs these functions.
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	Yes	The Audit Committee submits its performance reports to the Supervisory and Management Boards at the time of approval of annual and six-month reports.

[1] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

Principles / recommendations	Yes / No / Not applicable	Commentary
Principle 6: Prevention and disclosure of conflicts of interest **The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.**		
6.1. Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	Yes	The parent company does observe the recommendations. According to the parent company's Articles of Association, each candidate to a member of the collegial body is obliged to provide a declaration of interest to the body electing him/her stating all of circumstances which could lead to a conflict of interests between the candidate and the parent company. In the event a new circumstance emerge that may give rise to a conflict of interest between a member of the collegial body and the parent company, a member of the collegial body must immediately inform in writing the parent company and the collegial body of such new circumstances. Besides, according to the parent company's Articles of Association, members of the Management Board may not have any other job or hold any other office that would be incompatible with their activity on the Management Board, including the holding of management positions in other legal entities (except for the position and work in the Group companies), work in civil service, statutory service. Members may hold any other position or have other job, except for the position held in the parent company and other legal entities the participant whereof the parent company is, also engage in educational, creative, or authorship activity only on receipt of prior consent from the Supervisory Board.
Principle 7: Remuneration policy of the company **The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.**		
7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	Yes	The Remuneration Policy of the parent company governs the setting and payment of remuneration in the parent company. The parent company's Remuneration Policy is published on the parent company's website.
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes	The Remuneration Policy defines remuneration components, their maximum amounts, the principles of allocation and payment, which are common for all companies of the Group. According to the provisions of the Remuneration Policy, the variable remuneration component is paid only if the target achievement value is at least 70 percent. If criteria for the evaluation of performance results are not met, i.e. the target achievement value is below 70 percent, the variable remuneration component is not paid.
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	Yes	The Group's Remuneration Policy sets out that remuneration for activities in collegial bodies of the parent company or the Group companies does not depend on the performance results of the parent company or the Group companies.
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	Yes	The parent company follows this recommendation. The Group's Remuneration Policy sets out the severance payment procedure.

Principles / recommendations	Yes / No / Not applicable	Commentary
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	Not applicable	
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	Yes	The parent company publishes information on the implementation of Remuneration Policy in the annual report.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	Yes	The latest wording of the Group Remuneration Policy was approved by the resolution of the General Meeting of Shareholders on 30 March 2023. The current Remuneration Policy does not provide for share-based remuneration.
Principle 8: Role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.**		
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	The parent company's management system provides protection for the rights of the stakeholders that are protected by laws. The parent company pursues the maximum possible transparency in its relations with all stakeholders and the compliance with the highest ethical requirements and principles – in its activities, because honest and open business activities are one of the key elements of impeccable business reputation. The parent company takes into account the changing customer needs, constantly improving its operational processes, empowering employees, taking care of the safety and health of its employees, seeking to maintain a close relationship with investors and ensure information accessible to all, continuously updating the information and posting it in the 'Investors' section of its website.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	Yes	The parent company observes these recommendations when establishing the general rules applied to the Group companies. Interest holders (e.g. trade unions of employees of subsidiary companies) may participate in the management of subsidiary companies to the extent provided for by the laws.

Principles / recommendations	Yes / No / Not applicable	Commentary
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The parent company does observe the recommendations. The stakeholders are given access to the necessary information.
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	Yes	The parent company has a trust line, information can also be provided anonymously by e-mail: pasitikejimolinija@ignitis.lt.
Principle 9: Disclosure of information **The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.**		
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:		
9.1.1. operating and financial results of the company;	Yes	The parent company's operating and financial results are published in the parent company's interim and annual reports.
9.1.2. objectives and non-financial information of the company;	Yes	The parent company's business objectives and non-financial information is published in the parent company's interim and annual reports, the parent company's strategic plans.
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/ or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.
9.1.6. potential key risk factors, the company's risk management and supervision policy;	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.
9.1.7. the company's transactions with related parties;	Yes	The information is published on the parent company's website.
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.
9.1.9. structure and strategy of corporate governance;	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.

Principles / recommendations	Yes / No / Not applicable	Commentary
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned Investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.
9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	Yes	The parent company discloses the Group's consolidated results in the parent company's interim and annual reports.
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	Yes	The information specified in Item 4 of the recommendation is published in the parent company's annual report and on the parent company's website. The parent company makes public the salary to the parent company's CEO and other benefits associated with the functions as members of the management bodies.
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	Yes	The parent company discloses the information via the information disclosure system used by the stock-exchange Nasdaq Vilnius, London and Luxembourg in the Lithuanian and English languages simultaneously. The parent company observes the recommendation and announces its material events before or after a trading session on the Vilnius Stock Exchange, except for the cases provided for by legal acts. The parent company does not disclose the information likely to impact the price of the issued by it securities in its comments, interviews or otherwise by the time such information is announced via the information system of the Stock Exchange.
Principle 10: Selection of the company's audit firm **The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.**		
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	The parent company executes its annual financial statement audit on a yearly basis. An independent audit firm audits the parent company's financial and consolidated financial statements, and verifies that information in the annual report is consistent with the parent company's and consolidated financial statements.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	Yes	Articles of Association of the parent company states that Supervisory Board considers and submits proposals regarding the auditor or audit firm elected by the General Meeting and the terms of payment for the audit services.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	Yes	The parent company does observe the recommendations.

7.6 Compliance with the Guidelines for Ensuring the Transparency of State-Owned Enterprises

Point of the Description of the Guidelines for Ensuring the Transparency of the activities of SOEs (according to the wording of 30 April 2021) (link in Lithuanian)	Disclosure	Explanation
Section 2. Disclosure of information of a SOE		
5. The following data and information must be published on the website of a SOE:		Information is published on www.ignitisgrupe.lt
5.1. name;	Ongoing	
5.2. code and register that collects and stores data on the enterprise;	Ongoing	
5.3. registered office (address);	Ongoing	
5.4. legal status if a SOE is being reformed, reorganized (the method of reorganization shall be specified), liquidated, is facing bankruptcy or is bankrupt;	Ongoing	
5.5. name of the authority representing the State and a link to its website;	Ongoing	
5.6. operational goals, vision and mission;	Ongoing	
5.7. structure;	Ongoing	
5.8. details of the CEO;	Ongoing	
5.9. details of the Chair and of the members of the Management Board, if, according to the Articles of Association, the Management Board is formed;	Ongoing	
5.10. details of the Chair and of the members of the Supervisory Board, if, according to the Articles of Association, the Supervisory Board is formed;	Ongoing	
5.11. names of the committees, details of their chairs and of the members, if committees are formed;	Ongoing	
5.12. the sum of the nominal values of the state-owned shares (in euro to the nearest euro cent) and share (percentage) in the authorized capital of a SOE;	Ongoing	
5.13. special obligations being fulfilled, which are determined in accordance with the recommendations approved by the Minister of Economy and Innovation of the Republic of Lithuania: the purpose of the special obligations, the state budget appropriations allocated to their implementation in the current calendar year, and the legislation entrusting a State-owned company with the performance of a special obligation shall be indicated, the conditions for fulfilling a special obligation and/or regulated pricing shall be established;	Not applicable	
5.14. information on social responsibility initiatives and measures, important ongoing or planned Investment projects.	Ongoing	
6. For publicity purposes in connection with the management and supervisory bodies set up in state-owned companies, as well as in connection with the professionalism of the members of the committees, the following data of the persons specified in sub-clauses 5.8–5.11 of the Description are published: forename, surname, date of commencement of the current position, other management posts held in other legal entities, educational background, qualification, professional experience. If the person specified in Sub-clauses 5.9–5.11 of the Description is elected or appointed as an independent member, this shall be additionally specified along with his/her details.	Ongoing	Information is published on www.ignitisgrupe.lt

Point of the Description of the Guidelines for Ensuring the Transparency of the activities of SOEs (according to the wording of 30 April 2021) (link in Lithuanian)	Disclosure	Explanation
7. The following documents must be published on the website of a state-owned company:	Ongoing	Information is published on www.ignitisgrupe.lt
7.1. Articles of Association;	Ongoing	
7.2. an official letter from an authority representing the State on the setting state goals and expectations in a state-owned company;	Ongoing	
7.3. operations strategy or its summary in cases where the operations strategy contains confidential information or information that is considered a commercial (industrial) secret;	Ongoing	
7.4. document that establishes the remuneration policy covering determining the salary of the Head of a state-owned company and the remuneration of the members of collegial bodies and committees formed in a state-owned company;	Ongoing	
7.5. annual and interim reports of a state-owned company, annual and interim activity reports of a State Enterprise for a period of at least 5 years;	Ongoing	
7.6. sets of annual and interim financial statements for a period of at least 5 years and reports of an auditor of annual financial statements.	Ongoing	
8. If a state-owned company is the parent company, the structure of the Group of Companies, as well as the data referred to in Sub-clauses 5.1 to 5.3 of the Description of the subsidiaries and subsequent subsidiaries, website addresses, portion (percentage) of shares held by the parent company in their authorized capital, as well as annual consolidated financial statements and consolidated annual reports must be published on its website.	Ongoing	Information is published on www.ignitisgrupe.lt
9. If a state-owned company is a participant of legal entities other than those specified in Point 8 of the Description, the data referred to in Sub-clauses 5.1–5.3 of the Description of those legal entities and the addresses of their websites must be published on its website.	Ongoing	Information is published on www.ignitisgrupe.lt
9[1]. If a company is a subsidiary or a second tier subsidiary of a state-owned company, the data referred to in Sub-clauses 5.1–5.3 of the Description of the parent company and the link to the parent company's website must be published on its website.	Ongoing	The specified information is published on the websites of the Group companies
10. Data, information and documents referred to in Points 5 and 6, Sub-clauses 7.1 to 7.4, and in Points 8, 9 and 91 of the Description, that have changed or in cases where incorrect data of this kind has been published, must be changed immediately on the website too.	Ongoing	Information and documents that have changed are updated immediately
11. A set of annual financial statements of a state-owned company, annual report of a state-owned company, annual activity report of a State Enterprise, as well as report of an auditor of the annual financial statements of a state-owned company must be published on the website of a state-owned company within 10 working days from the approval of the set of annual financial statements of a state-owned company.	Ongoing	Documents are published on the www.ignitisgrupe.lt within the set deadline
12. The sets of interim financial statements of a state-owned company, the interim reports of a state-owned company and the interim activity reports of a State Enterprise must be published on the website of a state-owned company no later than 2 months after the end of the reporting period.	Ongoing	Documents are published on the www.ignitisgrupe.lt within the set deadline
13. The documents referred to in Point 7 of the Description shall be published in PDF format and technical possibilities for their printing shall be ensured.	Ongoing	All documents are published in PDF format
Section 3. Preparation of sets of financial statements, reports and activity reports		
14. State-owned companies shall keep their accounts in such a way as to ensure the preparation of financial statements in accordance with international accounting standards.	Ongoing	The parent company keeps its accounts in accordance with IFRS

Point of the Description of the Guidelines for Ensuring the Transparency of the activities of SOEs (according to the wording of 30 April 2021) (link in Lithuanian)	Disclosure	Explanation
15. In addition to the set of annual financial statements, a state-owned company prepares a set of 6-month interim financial statements, while a State Company - sets of interim financial statements for 3, 6 and 9 months.	Ongoing	The parent company prepares sets of interim financial statements for 3, 6 and 9 months
16. A state-owned company, which according to the Law on Audit of Financial Statements of the Republic of Lithuania, is classified as a public interest entity, in addition to the annual report, additionally prepares a 6-month interim report. A State Enterprise, which according to the Law on Audit of Financial Statements of the Republic of Lithuania, is classified as a public interest enterprise, in addition to the annual activity report, additionally prepares a 6-month interim report.	Ongoing	The parent company prepares a 6-month interim report
17. In addition to the Contents requirements established in the Law on Financial Reporting of Enterprises of the Republic of Lithuania or in the Law on State and Municipal Enterprises of the Republic of Lithuania, in the annual report of a State-owned company or in the annual activity report of a State Enterprise additionally must be provided:	Ongoing	The parent company provides information in the annual report
17.1. a brief description of the business model of a state-owned company;	Ongoing	
17.2. information on significant events that occurred during and after the financial year (prior to the preparation of the annual report or the annual activity report) and which were essential to the operation of a state-owned company;	Ongoing	
17.3. results of the implementation of the objectives provided for in the operational strategy of a state-owned company;	Ongoing	
17.4. profitability, liquidity, asset turnover, debt indicators;	Ongoing	
17.5. fulfilment of special obligations;	Not applicable	
17.6. implementation of Investment policy, ongoing and planned Investment projects and Investments during the reporting year;	Ongoing	
17.7. implementation of the risk management policy applied in a state-owned company;	Ongoing	
17.8. implementation of dividend policy in state-owned companies;	Ongoing	
17.9. implementation of remuneration policy;	Ongoing	
17.10. total annual payroll fund, average monthly salary by current position and/or units;	Ongoing	
17.11. information on compliance with the provisions of Sections 2 and 3 of the Description: shall be specified how they are implemented, which provisions are not complied with, and explanation as to why they are not complied with shall be provided.	Ongoing	
18. State-owned companies and State Enterprises, that are not mandatory required to prepare social responsibility reports, are recommended to provide in the annual report or in the annual activity report, as appropriate, information related to environmental, social and personnel, human rights, fight against corruption and bribery matters.	Ongoing	The parent company prepares a social responsibility report (integrated in the annual report)
19. If information referred to in Point 17 of the Description is considered a commercial (industrial) secret or confidential information of a state-owned company, a state-owned company may not disclose such information. However, it must be specified in the annual report of a state-owned company or in the annual activity report of a State Enterprise, as appropriate, that this information is not being disclosed and the reason for the non-disclosure must be specified.	Ongoing	The parent company provides information in the annual report

Point of the Description of the Guidelines for Ensuring the Transparency of the activities of SOEs (according to the wording of 30 April 2021) (link in Lithuanian)	Disclosure	Explanation
20. Other information not specified in this Description may also be specified in the annual report of a state-owned company or in the annual activity report of a State Enterprise.	Ongoing	Other information is also provided in the annual report
21. A state-owned company, which is the parent company, shall present in the consolidated annual report and, if it is not required by law to draw up a consolidated annual report, then in its annual report the structure of the Group of Companies, as well as the data referred to in Sub-clauses 5.1 to 5.3 of the Description of each subsidiary and second tier subsidiary, portion (percentage) of shares held in the authorized capital of a subsidiary, financial and non-financial performance for the financial year. If a state-owned company, which is the parent company, draws up a consolidated annual report, the requirements of Point 17 of the Description shall apply to it *mutatis mutandis*.	Ongoing	The parent company provides information in the annual report
22. The interim report of a state-owned company or the interim activity report of a State Enterprise presents a brief description of the business model of a state-owned company, analysis of financial performance for the reporting period, information on significant events that occurred during the reporting period, as well as profitability, liquidity, asset turnover, debt indicators and their changes compared to the corresponding period of the previous year.	Ongoing	The parent company provides information in the interim report

7.7 Material events of the parent company

During the reporting period (2023)

Date	Event
22 December	Bent Christensen resigns as an independent member of the Supervisory Board of Ignitis Group
14 December	Ignitis Group concluded EUR 64 million financing agreement with EIB and NIB
13 December	Ignitis Group and CIP are winners of offshore wind tender in Estonia
12 December	Ignitis group continues to secure short-term funding
28 November	Ignitis Group's financial calendar 2024
21 November	First nine months 2023 interim report: all time high investments, start of construction of the largest onshore wind farm in the Baltics, and final investment decision taken for the largest solar portfolio in the Baltics
21 November	Ignitis Group makes final investment decision for 239 MWp Latvian solar portfolio
14 November	Ignitis Group to present 9M 2023 results on 21 November
31 October	Ignitis Group completes acquisition of up to 300 MW onshore wind development project in Lithuania
31 October	Ignitis Group and Umicore Poland sign a corporate PPA for 137 MW Silesia WF II
24 October	Ignitis Group will conclude EUR 70 million credit line agreement with Swedbank AB
24 October	Ignitis Group has retained 'BBB+' credit rating
17 October	Regarding Networks segment income level of electricity distribution for 2024
17 October	Ignitis Group continues to secure short-term funding
12 October	Ignitis Group confirmed as winners of 700 MW Lithuanian offshore wind tender
3 October	AB "Ignitis grupė" continues to secure short-term financing instruments
21 September	Resolutions of the Extraordinary General Meeting of Shareholders of AB "Ignitis grupė"
19 September	International ESG rating agencies positively rated Ignitis Group's progress
11 September	On the settlement agreement between UAB Vilniaus kogeneracinė jėgainė and its former contractor Rafako S.A.
6 September	Update: Regarding the supplementation of the agenda of the Extraordinary General Meeting of Shareholders of AB "Ignitis grupė" and draft resolutions regarding the items set out on the agenda
22 August	Notice on convening the Extraordinary General Meeting of Shareholders of AB "Ignitis grupė"
22 August	First six months 2023 interim report: strong performance and significant offshore wind development progress
17 August	Regarding the approved electricity and natural gas WACC for 2024
16 August	63 MW Mažeikiai wind farm in Lithuania has reached commercial operation date
8 August	Ignitis Group to present 6M 2023 results on 22 August
1 August	Ignitis Group and Copenhagen Infrastructure Partners entered a partnership to participate in Estonian and Latvian offshore wind tenders
27 July	Regarding the updated Networks WACC methodology

Date	Event
12 July	AB “Ignitis grupė” agreed to invest up to EUR 115 million in the development of an EV charging network in the Baltic states
10 July	Ignitis Group and Ocean Winds are provisional winners in 700 MW Lithuanian offshore wind tender
29 Jun	Resolutions of the Extraordinary General Meeting of Shareholders of AB “Ignitis grupė”
27 Jun	Ignitis Group signs an agreement to acquire up to 300 MW onshore wind development project in Lithuania
13 Jun	Update: Regarding the supplementation of the agenda of the Extraordinary General Meeting of Shareholders of AB “Ignitis grupė” and draft resolutions on the items set out on the agenda
23 May	AB “Ignitis grupė” approved strategic long-term incentive plan targets
23 May	AB “Ignitis grupė” strategy update and Strategic plan 2023-2026 establish even more ambitious Green Generation and decarbonisation targets
23 May	First three months 2023 interim report: strong results despite lower power prices
11 May	The Letter of Expectations of the Majority Shareholder has been updated
9 May	Ignitis Group to present 3M 2023 results, Strategy update and Strategic plan 2023-2026 on 23 May
2 May	AB “Ignitis grupė” will conclude EUR 225 million financing agreement with MUFG Bank
28 April	Notice on convening the Extraordinary General Meeting of Shareholders of AB “Ignitis grupė”
25 April	Correction: Financial close achieved for Moray West offshore wind farm
21 April	Financial close achieved for Moray West offshore wind farm
18 April	AB “Ignitis grupė” made a final investment decision regarding a 110 MW expansion project in Kruonis PSHP
4 April	AB "Ignitis Grupė" secures EUR 100 million credit facility from Citibank
3 April	Ana Riva and Wolf Willems have been selected as independent members of Ignitis Group's Risk Management and Sustainability Committee
30 March	Resolutions of the Annual General Meeting of Shareholders of AB “Ignitis grupė”
10 March	Update: Regarding the supplementation of the agenda of the Annual General Meeting of Shareholders of AB “Ignitis grupė” and draft resolutions on the items set out on the agenda
9 March	On the financing agreements for EUR 300 million concluded between AB “Ignitis grupė”, its subsidiary UAB Vilniaus kogeneracinė jėgainė and AB “Swedbank”
28 February	Public appeal to energy companies to provide aid to Ukraine
28 February	Notice on convening the Annual General Meeting of Shareholders of AB “Ignitis grupė”
28 February	Annual report 2022: strong financial and strategic performance dominated by Green Generation growth
28 February	Interim report for the twelve months of 2022
21 February	Ignitis Group to present full-year 2022 results on 28 February
9 February	An expert's report should be ordered in ESO share price case
13 January	On the enforcement of Lithuanian Government's resolution to continue energy price compensation for business customers
10 January	On the award of a Polish capacity mechanism auction for 2027 to Ignitis Gamyba

After the reporting period

Date	Event
17 January	Ignitis Group and CIP win second seabed site in Estonia's offshore wind tender
14 February	Ignitis Group to present full-year 2023 results on 28 February

7.8 Other statutory information

The integrated annual report provides information to shareholders, creditors, and other stakeholders of AB "Ignitis grupė" (the parent company) about the operations of the parent company and the companies it controls, which are collectively referred to as the Group companies (the Group or Ignitis Group), for the period of January–December 2023.

The parent company's CEO is responsible for its preparation, while the parent company's Management Board considers and approves the integrated annual report. The Integrated Annual Report 2023, including consolidated and the parent company's financial statements, was considered and approved by the parent company's Management Board on 27 February 2024. This report has been prepared in accordance with the Law on Companies of the Republic of Lithuania (link in Lithuanian), the Law on Financial Reporting by Undertakings of the Republic of Lithuania (link in Lithuanian), the Listing of Rules of Nasdaq Vilnius as well as legal acts and recommendations of relevant supervisory authorities and operators of the regulated markets.

The report and the documents based on which it was prepared are available at the registered office of the parent company (Laisvės Ave. 10, Vilnius) on working days from Mondays through Thursdays from 7.30 am to 4.30 pm, and on Fridays from 7.30 am to 3.15 pm (by prior arrangement through IR@ignitis.lt).

Information that must be published by the parent company according to the legal acts of the Republic of Lithuania is made public, depending on the disclosure requirements, either on our website, on the websites of Nasdaq Vilnius, London and Luxembourg stock exchanges or both.

Ignitis Group employees

Compliance with the Transparency Directive	In compliance with article 4 of the Transparency Directive introduced by the European Commission, the Group files Integrated Annual Report 2023 in the European Single Electronic Format (ESEF) using the XHTML format tagging consolidated financial statements, including notes, using Inline eXtensible Business Reporting Language (iXBRL). For all intents and purposes, other than the XHTML Integrated Annual Report 2023 document is considered as non-official version and ESEF version prevails in case of any questions or conflicts.
Material events notifications of the parent company	Material events of the parent company are published on Nasdaq Vilnius, London and Luxembourg stock exchanges as well as on the Group's website.
Information on the parent company's ordinary registered shares account manager	AB SEB bankas (Gedimino pr. 12, Vilnius, tel. (8 5) 268 2800) is appointed as the parent company's ordinary registered shares account manager for the purposes of securities accounting and dividend payment. The owners of Global Depositary Receipts representing the ordinary registered shares (hereinafter – GDR) of the parent company must consult with the GDR issuer (the Bank of New York Mellon), its authorised party or their securities account managers for GDR related information.
Alternative performance measures	Alternative Performance Measures (APM) are adjusted figures used in this report that refer to measures used for internal performance management. As such, they are not defined or specified under International Financial Reporting Standards (IFRS), nor do they comply with IFRS requirements. Definitions of alternative performance measures can be found in '7.3 Alternative performance measures' section of this report and on the Group's website.
Internal control and risk management systems involved in the preparation of the financial statements	The Group's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The employees of the company providing accounting services to the parent company ensure that the financial statements are prepared properly and that all data are collected in a timely and accurate manner. The preparation of the company's financial statements, internal control and financial risk management systems are monitored and managed based on the legal acts governing the preparation of financial statements.
Related party transactions	Related party transactions concluded during the reporting period are disclosed in section '8 Consolidated financial statements' of this report and on our website. More detailed information regarding related party transaction policy is available here.
Compliance with the code of corporate governance	This Integrated Annual Report 2023 has been prepared in accordance with Article 12(3) of the Law on Securities of the Republic of Lithuania (link in Lithuanian) and paragraph 24.5 of the Listing Rules of Nasdaq Vilnius AB. For detailed information of how the parent company complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius AB as well as its specific provisions or recommendations, see section '7.5 Compliance with the Corporate Governance Code' of this report.

Information on significant arrangements to which the parent company is a party and which would take effect, be amended or terminated in the event of changes in the parent company's control, and their impact, except where by reason of the nature of the arrangements, disclosure would cause material prejudice to the parent company	Significant arrangements concluded by the parent company during the reporting period that would take effect, be amended or terminated in the event of changes in the parent company's control: 1. **9 March 2023:** On the financing agreements for EUR 300 million concluded between AB "Ignitis grupė", its subsidiary UAB Vilniaus kogeneracinė jėgainė and AB "Swedbank"; 2. **4 April 2023:** AB "Ignitis grupė" secures EUR 100 million credit facility from Citibank; 3. **21 April 2023:** Financial close achieved for Moray West offshore wind farm; 4. **2 May 2023:** AB "Ignitis grupė" will conclude EUR 225 million financing agreement with MUFG Bank; 5. **3 October 2023:** AB "Ignitis grupė" continues to secure short-term financing instruments; 6. **17 October 2023:** Ignitis Group continues to secure short-term funding; 7. **12 December 2023:** Ignitis group continues to secure short-term funding; 8. **14 December 2023:** Ignitis Group concluded EUR 64 million financing agreement with EIB and NIB.
Information on agreements concluded between the parent company, the members of the management and supervisory bodies or employees, that provide for compensation in case of their resignation or dismissal without a reasonable cause or in case of termination of their employment as a result of the change in control of the parent company (official offer)	There are no agreements concluded between the parent company, the members of the management and supervisory bodies or employees that provide for compensation in case of their resignation or dismissal without a reasonable cause or in case of termination of their employment as a result of the change in control of the parent company.
Information on restrictions on the transfer of securities of the parent company imposed by law, articles of association or shareholders' agreements	There are no restrictions on the transfer of securities of the parent company imposed by law, articles of association or shareholders' agreements.
Information on the parent company's branches and representative offices and research and development activities	The parent company has no branches and representative offices and parent company does not carry out research and development activities.
Information on delisted companies	Since September 2021, the parent company owns 100% of shares of ESO (Networks) and Ignitis Gamyba (Reserve Capacities and Green Generation). More information about the delisted companies, including the details of payment for shares, is available in section '7.1 Further investor related information' of this report and on our website.
Notice on the language	In the event of any discrepancy between the Lithuanian and the English versions of the document, the English version shall prevail.

7.9 Legal notice

This document has been prepared by AB "Ignitis grupė" (Ignitis Group) solely for informational purposes and must not be relied upon, disclosed or published, or used in part for any other purpose.

The document should not be treated as investment advice or provide basis for valuation of Ignitis Group securities and should not be considered as a recommendation to buy, hold, or dispose of any of its securities, or any of the businesses or assets referenced in the document.

The information in this document may comprise information which is neither audited nor reviewed by independent third parties and should be considered as preliminary and potentially subject to change.

This document may also contain certain forward-looking statements, including but not limited to, the statements and expectations regarding anticipated financial and operational performance. These statements are based on the management's current views, expectations, assumptions, and information as of the date of this document announcement as well as the information that was accessible to management at that time. Statements herein, other than statements of historical fact, regarding Ignitis Group's future results of operations, financials, business strategy, plans and future objectives are forward-looking statements. Words such as "forecast", "expect", "intend", "plan", "will", "may", "should", "continue", "predict" or variations of these words, as well as other statements regarding matters that are not a historical fact or regarding future events or prospects, constitute forward-looking statements.

Ignitis Group bases forward-looking statements on its current views, which involve a number of risks and uncertainties, which may be beyond Ignitis Group's control or difficult to predict, and could cause the actual results to differ materially from those predicted and from the past performance of Ignitis Group. The estimates and projections reflected in the forward-looking statements may prove materially incorrect and the actual results may materially differ due to a variety of factors, including, but not limited to, legislation and regulatory factors, geopolitical tensions, economic environment and industry development, commodities and markets factors, environmental factors, finance-related risks as well as expansion and operation of generation assets. Therefore, you should not rely on these forward-looking statements. For further risk-related information, please see section '4.2 Risk management update' of our latest interim report and '4.7 Risk management' section of this report, all available at https://ignitisgrupe.lt/en/reports-and-presentations.

Certain financial and statistical information presented in this document is subject to rounding adjustments. Accordingly, any discrepancies between the listed totals and the sums of the amounts are due to rounding. Certain financial information and operating data relating to Ignitis Group presented in this document has not been audited and, in some cases, is based on the management's information and estimates, and is subject to change. This document may also include certain non-IFRS measures (e.g., Alternative Performance Measures, described in '7.3 Alternative performance measures' section of this report and at https://ignitisgrupe.lt/en/reports-and-presentations) which have not been subjected to a financial audit for any period.

In the event of any discrepancy between the Lithuanian and the English versions of the document, the English version shall prevail.

No responsibility or liability will be accepted by Ignitis Group, its affiliates, officers, employees, or agents for any loss or damage resulting from the use of forward-looking statements in this document. Unless required by the applicable law, Ignitis Group is under no duty and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

7.10 Glossary

#	Number
%	Per cent
'000 / k	Thousand
AB	Joint stock company
Advanced development Pipeline	Projects which have access to the electricity grid secured through preliminary grid connection agreement (agreement signed and grid connection fee has been paid).
AML	Anti Money Laundering
APM	Alternative performance measure (link)
Awarded / Contracted	Projects with one of the following: (i) awarded in government auctions and tenders (incl. CfD, FiP, FiT, seabed with grid connection), or (ii) for which offtake is secured through PPA or similar instruments (total secured offtake through PPA and other instruments should cover at least 50% of the annual expected generation volume of the asset).
B2B	Business to business
B2C	Business to consumer
bn	Billion
CCGT	Combined Cycle Gas Turbine Plant
CDP	Carbon Disclosure Project
CfD	Contract for difference
CHP	Combined heat and power
Clean spark	Indicative prices giving the difference between the combined cost of gas and emissions, and the equivalent price of electricity.
CO_2	Carbon dioxide
COD	Projects with installed capacity achieved.
CPI	Consumer Price Index
E	Electricity
Early development Pipeline	Projects of planned capacity higher than 50 MW with substantial share of land rights secured.
Electricity Generated (net)	Electricity generated and sold in wind farms, solar power plants, biofuel plants, CHP plants, hydropower plants (including Kruonis pumped storage power plant) and electricity sold in Elektrėnai Complex.
Electricity sales	Amount of electricity sold in Lithuania (B2C, B2B and guaranteed customers), Poland, Latvia and Estonia.
EMIT	European Market Infrastructure Regulation
Energijos Tiekimas	Energijos Tiekimas UAB
eNPS	Employee Net Promoter Score
EPSO-G	EPSO-G is a state-owned group of energy transmission and exchange companies. It consists of the parent management company EPSO-G, five directly owned companies Litgrid, Amber Grid, Baltpool, Tetas, Energy Cells and the indirectly controlled GET Baltic.
ESG	Environmental, social and corporate governance
ESO	AB „ Energijos skirstymo operatorius "
etc.	et cetera
EURbn	billion EUR
EURm	million EUR
EU	European Union

Eurakras	UAB „EURAKRAS“
FBS	Fixed base salary
Final investment decision (FID)	Relevant governance body decision to make significant financial commitments related to the project.
FiT	Feed-in Tariff
FIP	Feed-in premium – fixed premium to the electricity market price
FTE	Full-time equivalent
GDP	Gross domestic product
GDPR	General Data Protection Regulation
GDR	Global depositary receipt
GHG	Greenhouse Gas
Green Electricity Generated (net)	Electricity generated and sold in wind farms, solar power plants, biofuel plants and CHP plants and hydropower plants (including Kruonis pumped storage power plant).
Green Generation Portfolio	All Green Generation projects of the Group, which include: (i) secured capacity, (ii) advanced development pipeline and (iii) early development pipeline.
Green Share of Generation,%	Green share of generation shall be calculated as follows: Green electricity generated (including Kruonis pumped storage power plant) divided by total electricity generated in the Group.
GRI	Global Reporting Initiative
Group or Ignitis Group	AB „Ignitis grupė" and its controlled companies
Gross capacity	Total generation capacity, independently from actual/planned share of ownership, if the actual/planned ownership share is 51% or above.
GW	Gigawatt
Heat Generated (net)	Heat sold in CHP plants, waste and biomass plants
Hydro power	Kaunas Algirdo Brazauskas hydroelectric power plant and Kruonis pumped storage power plant
IFRS	International Financial Reporting Standards
Ignitis	Ignitis UAB (former Lietuvos energijos tiekimas and Energijos tiekimas)
Ignitis Eesti	Ignitis Eesti OÜ
Ignitis Gamyba	AB „Ignitis gamyba"
Ignitis Latvija	Ignitis Latvija SIA
Ignitis Polska	Ignitis Polska sp. z o.o.
Ignitis Renewables	UAB „Ignitis renewables“
Installed capacity	The date at which all the equipment is: (1) installed, (2) connected, (3) authorized by a competent authority to generate energy, and (4) commissioned. Performance testing may still be ongoing.
ISIN	International Securities Identification Number
YoY	Year over year
IPO	Initial Public Offering
ISO	International Organization for Standardization
Kaunas CHP	UAB Kauno kogeneracinė jėgainė
Kaunas HPP	Kaunas Algirdas Brazauskas Hydroelectric Power Plant
Kruonis PSHP	Kruonis Pumped Storage Hydroelectric Plant
Lietuvos energija	„Lietuvos energija", UAB (current AB „Ignitis grupė")
Lietuvos Energijos Tiekimas	Lietuvos Energijos Tiekimas UAB
Litgrid	Litgrid AB
LNG	Liquefied natural gas
LNGT	Liquefied natural gas terminal
LRAIC	Long-run average incremental cost
LTI	Long-Term Incentives

LTM	Last twelve months
m	Million
MAR	Market Abuse Regulation
Mažeikiai	UAB „VVP Investment“
MCM	Million Cubic Meters
min.	Minutes
MW	Megawatt
MWh	Megawatt hour
n/a	Not applicable
NERC	The National Energy Regulatory Council
New connection points and upgrades	Number of new customers connected to the network and capacity upgrades of the existing connection points.
NPS	Net promoter score
NT Valdos	NT Valdos, UAB
OECD	Organisation for Economic Co-operation and Development
Other activities and eliminations	Other activities and eliminations – includes consolidation adjustments, related-party transactions and financial results of the parent company.
Parent company	AB „Ignitis grupė" (former „Lietuvos energija", UAB)
PBM	Payment of the activities of Board member
Pipeline	Portfolio, excluding installed capacity projects.
Pomerania	Pomerania Wind Farm sp. z o. o.
PPA	Power purchase agreement
pp	Percentage point
PPE	Property, plant and equipment
PSO	Public service obligation
Public supply	Electricity supply activity performed in accordance with the procedure and terms established by legal acts by an entity holding a public supply licence.
Q	Quarter
RAB	Regulated asset base
RES	Renewable energy sources
REMIT	Regulation of the European parliament on wholesale energy market integrity and transparency
SAIDI	Average duration of unplanned interruptions in electricity or gas transmission
SAIFI	Average number of unplanned long interruptions per customer
SBTi	Science Based Targets initiative
SDG	Sustainable Development Goal
Secured Capacity	Green Generation projects under the following stages: (i) installed capacity, or (ii) under construction or (iii) awarded / contracted.
SOE	State-owned company
STI	Short-Term Incentives
Supply of last resort	Supply of electricity in order to meet electricity demand of customers who have not selected an independent supplier under the established procedure, or an independent supplier selected by them does not fulfil its obligations, terminates activities or the agreement on the purchase and sale of electricity.
Taxonomy-eligible	An economic activity that is described in the delegated acts supplementing Regulation (EU) 2020/852, irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts.
Taxonomy-non-eligible	Any economic activity that is not described in the delegated acts supplementing Regulation (EU) 2020/852.
Taxonomy-aligned	An economic activity that complies with the requirements laid down in Article 3 of Regulation (EU) 2020/852.
TCFD	Task Force on Climate-Related Financial Disclosures
TRIR	Total Recordable Incident Rate

Tuuleenergia	„Tuuleenergia osaühing"
TWh	Terawatt-hour
UAB	Private Limited Liability Company
UN	United Nations
Under construction	Project with building permits secured or permitting in process including one of following: (i) notice to proceed has been given the first contractor or (ii) final investment decision has been made.
UNGC	United Nations Global Compact
Units	Units
Vėjo Gūsis	UAB „VĖJO GŪSIS"
Vėjo Vatas	UAB „VĖJO VATAS"
Vilnius CHP	UAB Vilniaus kogeneracinė jėgainė
vs.	Versus
WACC	Weighted average cost of capital
WF	Wind farm
WtE	Waste-to-energy

Consolidated financial statements

Consolidated financial statements

Prepared for the year ended 31 December 2023 in accordance with International Financial Reporting Standards as adopted by the European Union

8.1 Consolidated statement of profit or loss

For the year ended 31 December 2023

EURm	Note	2023	2022
Revenue from contracts with customers	6	2,542.4	4,381.3
Other income	6	6.7	5.6
Total revenue		**2,549.1**	**4,386.9**
Purchases of electricity, natural gas and other services	7	(1,757.7)	(3,608.7)
Salaries and related expenses	7	(136.7)	(115.8)
Repair and maintenance expenses	7	(61.1)	(40.6)
Other expenses	7	(86.2)	(82.1)
Total expenses		**(2,041.7)**	**(3,847.2)**
EBITDA	5	507.4	539.7
Depreciation and amortisation	11, 12, 13, 26	(153.1)	(137.7)
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	11, 12, 13, 26	(2.1)	(14.2)
Operating profit (EBIT)	5	352.2	387.8
Finance income	8	41.7	3.6
Finance expenses	8	(40.0)	(54.1)
Finance activity, net		**1.7**	**(50.5)**
Profit (loss) before tax		**353.9**	**337.3**
Income tax (expenses)/benefit	9	(33.7)	(43.9)
Net profit for the year		**320.2**	**293.4**
Attributable to:			
Shareholders in AB "Ignitis grupė"		320.2	293.4
Non-controlling interest		-	-
Basic and diluted earnings per share (EUR)	23.7	**4.42**	**4.04**
Weighted average number of shares	23.7	**72,388,960**	**72,599,599**

8.2 Consolidated statement of comprehensive income

For the year ended 31 December 2023

EURm	Note	2023	2022
Net profit for the year		320.2	293.4
Revaluation of property, plant and equipment	12, 26	3.8	(1.1)
Change in actuarial assumptions		1.3	0.4
Items that will not be reclassified to profit or loss in subsequent periods (net of tax), total		5.1	(0.7)
Cash flow hedges – effective portion of change in fair value	31	(136.7)	247.3
Cash flow hedges – reclassified to profit or loss	31	34.4	(165.3)
Foreign operations – foreign currency translation differences		24.7	(2.1)
Items that may be reclassified to profit or loss in subsequent periods (net of tax), total		(77.6)	79.9
Total other comprehensive income (loss) for the year		(72.5)	79.2
Total comprehensive income (loss)		247.7	372.6
Attributable to:			
Shareholders in AB "Ignitis grupė"		247.7	372.6
Non-controlling interests		-	-

8.3 Consolidated statement of financial position

As at 31 December 2023

EURm	Note	31 December 2023	31 December 2022
Assets			
Intangible assets	11	315.4	148.3
Property, plant and equipment	12	3,362.5	2,810.9
Right-of-use assets	13	49.9	48.6
Prepayments for non-current assets		309.9	125.8
Investment property		5.9	5.5
Non-current receivables	14	76.3	28.9
Other financial assets	15	37.0	25.6
Other non-current assets	16.1	3.5	24.8
Deferred tax assets	9.4	56.5	31.1
Non-current assets		4,216.9	3,249.5
Inventories	17	274.8	570.4
Prepayments and deferred expenses	18	14.4	95.8
Trade receivables	20	265.9	424.4
Other receivables	21	126.0	179.7
Other financial assets	15	110.4	-
Other current assets	16.2	24.0	56.9
Prepaid income tax		6.2	0.4
Cash and cash equivalents	22	205.3	694.1
Assets held for sale		0.5	0.4
Current assets		1,027.5	2,022.1
Total assets		5,244.4	5,271.6

EURm	Note	31 December 2023	31 December 2022
Equity and liabilities			
Share capital	23.2	1,616.4	1,616.4
Treasury shares	23.3	-	-
Reserves	24	284.4	344.9
Retained earnings		362.6	164.3
Equity attributable to shareholders in AB “Ignitis grupė”		2,263.4	2,125.6
Non-controlling interests		-	-
Equity		2,263.4	2,125.6
Non-current loans and bonds	25.1	1,521.2	1,423.3
Non-current lease liabilities	25.2	42.3	45.1
Grants and subsidies	26	300.1	296.8
Deferred tax liabilities	9.4	87.4	55.2
Provisions	28	60.7	17.6
Deferred income	27.1	241.6	205.5
Other non-current liabilities		66.6	20.7
Non-current liabilities		2,319.9	2,064.2
Loans	25.1	64.5	209.0
Lease liabilities	25.2	5.2	3.6
Trade payables	29	177.2	177.2
Advances received	27.2	61.8	61.6
Income tax payable		4.9	53.4
Provisions	28	27.6	38.0
Deferred income	27.1	35.2	114.8
Other current liabilities	30	284.7	424.2
Current liabilities		661.1	1,081.8
Total liabilities		2,981.0	3,146.0
Total equity and liabilities		5,244.4	5,271.6

8.4 Consolidated statement of changes in equity

For the year ended 31 December 2023

EURm	Note	Share capital	Treasury shares	Legal reserve	Revaluation reserve	Hedging reserve	Treasury shares reserve	Other reserves	Retained earnings	Shareholders in AB “Ignitis grupė” interest	Non-controlling interest	Total
Balance as at 1 January 2022		1,658.8	(23.0)	125.8	84.1	18.6	23.0	(2.7)	(28.7)	1,855.9	-	1,855.9
Net profit for the year		-	-	-	-	-	-	-	293.4	293.4	-	293.4
Other comprehensive income (loss)	10	-	-	-	(1.1)	82.0	-	(2.1)	0.4	79.2	-	79.2
Total comprehensive income (loss) for the year		-	-	-	(1.1)	82.0	-	(2.1)	293.8	372.6	-	372.6
Transfer of revaluation reserve to retained earnings (net of tax)		-	-	-	(10.0)	-	-	-	10.0	-	-	-
Transfers to legal reserve		-	-	12.6	-	-	-	-	(12.6)	-	-	-
Transfer to reserves to acquire treasury shares	24.4	-	-	-	-	-	14.7	-	(14.7)	-	-	-
Treasury shares acquired	23.3	-	(10.0)	-	-	-	-	-	(4.3)	(14.3)	-	(14.3)
Dividends	23.5	-	-	-	-	-	-	-	(89.0)	(89.0)	-	(89.0)
Share capital reduction	23.4	(42.4)	33.0	-	-	-	-	-	9.4	-	-	-
Other movement		-	-	-	-	-	-	-	0.4	0.4	-	0.4
Balance as at 31 December 2022		1,616.4	-	138.4	73.0	100.6	37.7	(4.8)	164.3	2,125.6	-	2,125.6
Balance as at 1 January 2023		1,616.4	-	138.4	73.0	100.6	37.7	(4.8)	164.3	2,125.6	-	2,125.6
Net profit for the year		-	-	-	-	-	-	-	320.2	320.2	-	320.2
Other comprehensive income (loss)	10	-	-	-	3.8	(102.3)	-	24.7	1.3	(72.5)	-	(72.5)
Total comprehensive income (loss) for the year		-	-	-	3.8	(102.3)	-	24.7	321.5	247.7	-	247.7
Transfer of revaluation reserve to retained earnings (net of tax)		-	-	-	(9.0)	-	-	-	8.4	(0.6)	-	(0.6)
Transfers to legal reserve		-	-	22.3	-	-	-	-	(22.3)	-	-	-
Dividends	23.5	-	-	-	-	-	-	-	(91.7)	(91.7)	-	(91.7)
Dividends paid to non-controlling interest	23.6	-	-	-	-	-	-	-	(14.3)	(14.3)	-	(14.3)
Other movement		-	-	-	-	-	-	-	(3.3)	(3.3)	-	(3.3)
Balance as at 31 December 2023		1,616.4	-	160.7	67.8	(1.7)	37.7	19.9	362.6	2,263.4	-	2,263.4

8.5 Consolidated statement of cash flows

For the year ended 31 December 2023

EURm	Note	2023	2022
Net profit for the year		320.2	293.4
Adjustments for:			
Depreciation and amortisation expenses	12, 13, 14	165.7	149.1
Depreciation and amortisation of grants	26	(12.6)	(11.4)
Impairment (reversal) of property, plant and equipment, including held for sale	12.1.2.	(1.1)	7.7
Fair value changes of derivatives	31.1	6.8	(19.6)
Fair value change of financial instruments	8	(16.7)	23.4
Income tax expenses/(benefit)	9	33.7	43.9
Increase/(decrease) in provisions	28	36.0	(8.0)
Inventory write-off to net realizable value/(reversal)	17	(88.6)	103.0
Loss/(gain) on disposal/write-off of assets held for sale and property, plant and equipment		3.6	6.5
Interest income	9	(17.6)	(1.7)
Interest expenses	9	34.6	29.6
Other expenses/(income) of financing activities		(1.9)	(0.6)
Other non-monetary adjustments		(0.6)	1.4
Changes in working capital:			
(Increase)/decrease in trade receivables and other amounts receivable		204.0	56.4
(Increase)/decrease in inventories, prepayments and other current and non-current assets		495.8	(504.5)
Increase/(decrease) in trade payables, deferred income, advances received, other non-current and current liabilities		(279.5)	422.7
Income tax (paid)/received		(81.0)	(27.4)
Net cash flows from operating activities		800.8	563.9
Acquisition of property, plant and equipment and intangible assets		(838.6)	(439.4)
Proceeds from sale of property, plant and equipment, assets held for sale and intangible assets		3.4	3.0
Acquisition of subsidiaries, net of cash acquired	32.5	(142.7)	(28.4)
Loans granted		(27.6)	(20.7)
Grants received	26	15.9	29.0
Interest received	8.1	10.7	0.6
Finance lease payments received		1.5	1.6
(Increase)/decrease of deposits	25.2	(109.0)	-
Investments in/(return from) investment funds	15.1	5.3	(1.7)
Other increases/(decreases) in cash flows from investing activities		-	0.3
Net cash flows from investing activities		(1,081.1)	(455.7)

EURm	Note	2023	2022
Loans received	25.2.2	285.9	223.0
Repayments of loans	25.2.2	(180.7)	(119.7)
Overdrafts net change	25.2.2	(160.4)	172.9
Lease payments	25.2.2	(5.7)	(5.1)
Interest paid	25.2.2	(39.0)	(28.8)
Dividends paid	23.5	(91.7)	(89.0)
Dividends paid to non-controlling interest	25.2.2	(14.3)	-
Dividends returned		-	0.4
Treasury shares acquisition	23.3	-	(14.3)
Other increases/(decreases) in cash flows from investing activities		(2.6)	(2.6)
Net cash flows from financing activities		(208.5)	136.8
Increase (decrease) in cash and cash equivalents		(488.8)	245.0
Cash and cash equivalents at the beginning of the period		694.1	449.1
Cash and cash equivalents at 31 December	22	205.3	694.1

8.6 Notes

For the year ended 31 December 2023

1 General information

AB "Ignitis grupė" (hereinafter referred to as 'the parent company') is a public limited liability company registered in the Republic of Lithuania. The parent company's registered office address is Laisvės Ave. 10, LT-04215, Vilnius, Lithuania. The parent company was registered on 28 August 2008 with the Register of Legal Entities managed by the State Enterprise Centre of Registers. The parent company's code is 301844044. The parent company has been founded for an indefinite period.

The parent company and its subsidiaries are hereinafter collectively referred to as 'the Group'. The Group's core business is focused on operating Lithuania's electricity distribution network (Networks) and managing and developing its Green Generation Portfolio (Green Generation). The Group also manages strategically important reserve capacities (Reserve Capacities) and provide services to its customers (Customers & Solutions), including the supply of electricity and natural gas, solar, e-mobility, energy efficiency and innovative energy solutions for private (hereinafter referred to as 'B2C') and business (hereinafter referred to as 'B2B') customers. Information on the Group's structure is provided in Note 32.

The Group's CEO is responsible for its preparation, while the Group's Management Board considers and approves the integrated annual report. The Integrated Annual Report 2023, including consolidated and the Group's financial statements, was considered and approved by the Group's Management Board on 27 February 2024. The Group's shareholders have a statutory right to either approve or refuse to approve these financial statements and require the management to prepare a new set of financial statements.

These are consolidated financial statements of the Group. The parent company also prepares separate financial statements in accordance with accordance with International Financial Reporting Standards (hereinafter referred to as 'IFRS') as adopted by the EU as required by local legislation.

2 Basis of preparation

2.1 Basis of accounting

These consolidated financial statements (hereinafter referred to as 'financial statements') have been prepared in accordance with IFRS issued by International Accounting Standards Board (hereinafter referred to as 'IASB') and endorsed for application in the European Union.

Financial statements as at and for the year ended 31 December 2023 have been prepared on a going concern basis applying measurement based on historical cost, except for certain items of property, plant and equipment (see Note 39.1), investment property and certain financial instruments measured at fair value.

The financial statements provide comparative information in respect of the previous period.

Details of the Group's accounting policies, including changes thereto, are included in Note 8.7 and section 'Accompanying information' of these financial statements.

2.2 Functional and presentation currency

These financial statements are presented in euros, which is the Group's functional currency and all values are rounded to the nearest million (EUR '000,000), except when indicated otherwise.

2.3 ESEF reporting

The Group is required to file annual report in the European Single Electronic Format ('ESEF') using the XHTML format and to tag the consolidated financial statements including notes using Inline eXtensible Business Reporting Language (iXBRL). The prepared financial statements comply with 2023 taxonomy. Where a financial statement line item or text block is not defined in the ESEF taxonomy, an extension to the taxonomy has been created.

2.4 Alternative performance measures

The Group presents financial measures in the financial statements which are not defined according to IFRS. The Group uses these alternative performance measures (hereinafter referred to as 'APM') as it believes that these financial measures provide valuable information to stakeholders and the management.

The financial measures should not be considered a replacement for the performance measures as defined under IFRS, but rather as supplementary information.

The APM may not be comparable to similar titled measures presented by other companies as the definitions and calculations may be different.

The APM most commonly used in the Group's financial statements: EBITDA, EBIT, Adjusted EBITDA, Adjusted EBIT, Investments, Net Debt

For more information on the APM – see Note 5.

3 Changes in material accounting policies

3.1 Changes in accounting policy and disclosures

The accounting policies applied in the preparation of these financial statements are consistent with the accounting policies applied in the preparation of the Group's annual financial statements for the year ended 31 December 2022, with the exception of the new standards which entered into force during the year of 2023. Material accounting policies used in the preparation of the Group's annual financial statements are provided in section 'Accompanying information' of these financial statements.

3.1.1 New standards, amendments and interpretations

3.1.1.1 Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted the *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS12)* from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities.

The Group previously accounted for deferred tax on leases and decommissioning liabilities by applying the 'integrally linked' approach, resulting in similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and deferred tax liability in relation to its right-of-use assets. However, there was no impact on the Statement of financial position because the balances were qualified for offset under paragraph 74 of IAS 12. There was no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to the disclosure of the deferred tax assets and the liabilities recognised (Note 9).

3.1.1.2 Material accounting policy information

The Group has adopted the *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require entities to disclose their material accounting policy information, rather than their significant accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The management reviewed the accounting policies and made updates to the information disclosed in section 'Material accounting policies' of these financial statements.

3.1.1.3 Global minimum top-up tax

The Group has adopted the *International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)* upon their release on 23 May 2023. The amendments provide a temporary exception from deferred tax accounting for the top-up tax, which is effective immediately and require new disclosures about the Pillar Two exposure.

The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted as at 31 December 2022 in any jurisdiction in which the Group operates and no related deferred tax was recognised at that date, the retrospective application has no impact on the financial statements (Note 9.4).

More information about other new standards is available in section 'Material accounting policies' of these financial statements.

4 Significant accounting estimates and judgments used in the preparation of the financial statements

While preparing these financial statements, the management has made judgements and estimates about the future, including climate-related risks and opportunities, that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income, costs and contingencies. Changes in the underlying assumptions of such estimates and judgements may have a material effect on financial statements in the future.

Estimates and judgements with underlying assumptions are reviewed on an ongoing basis and are consistent with the Group's risk management and climate -related commitments, where appropriate. Revisions to the estimates and judgements are recognised prospectively.

Significant accounting estimates and judgements used in the preparation of the financial statements are described in this note. For other estimates and judgements used herein, refer to other notes of these financial statements.

Significant accounting estimates and judgments	Note	Estimate/judgment
Principal or an Agent in relation to electricity transmission and distribution services	6.1.1.	Judgment
Principal or an Agent in relation to gas distribution services	6.1.2.	Judgment
Principal or an Agent in relation to gas transmission services	6.1.3.	Judgment
Principal or an Agent in relation to PSO fees and LNGT security component	6.1.4.	Judgment
Impairment of goodwill	11	Estimate
Revaluation and impairment of property, plant and equipment used in electricity distribution	12.7.1.	Estimate
Impairment of property, plant and equipment, used in natural gas distribution	12.7.2.	Estimate
Fair value of Investment funds – at FVTPL	15	Estimate
Expected credit losses of trade receivables and other receivables: collective assessment of ECL applying provision matrix and individual assessment of ECL	20.2.1.	Estimate/judgment
Collection of cash on a suspense account	22.1.1.	Judgment
Separation of the Group's B2C and B2B consumer funds	22.1.2.	Judgment
Leases: determining the lease term of contracts with renewal and termination options	25.3.1.	Judgment
Leases: estimating the incremental borrowing rate	25.3.2.	Estimate
Determining whether statutory and contractual servitudes are a lease	25.3.3	Judgment
Provisions for rights to servitudes	28.2.1.	Estimate
Provision for servitudes of real estate	28.2.2.	Estimate
Provision for compensations for the Special Land Use Conditions (Protected Areas)	28.2.3.	Estimate
Control over UAB Kauno kogeneracinė jėgainė	30	Estimate/judgment
Regulated activity: accrual of income and regulatory provision from services ensuring isolated operation of the power system and capacity reserve	34.2.2.1.	Estimate
Regulated activity: accrual of income and regulatory provision from public electricity supply	34.2.2.2.	Estimate

5 Business segments

EURm	Green Generation	Networks	Reserve Capacities	Customers & Solutions	Other activities and eliminations	Total adjusted	Adjustments	Total reported
2023								
Total revenue	342.1	479.8	128.3	1,736.9	(160.7)	2,526.4	22.7	2,549.1
Purchases of electricity, natural gas and other services	(68.9)	(135.5)	(57.8)	(1,658.7)	163.2	(1,757.7)	-	(1,757.7)
Salaries and related expenses	(18.2)	(71.9)	(9.6)	(16.7)	(20.3)	(136.7)	-	(136.7)
Repair and maintenance expenses	(8.7)	(46.2)	(6.0)	-	(0.2)	(61.1)	-	(61.1)
Other expenses	(23.7)	(46.2)	(5.0)	(31.1)	19.8	(86.2)	-	(86.2)
EBITDA	222.6	180.0	49.9	30.4	1.8	484.7	22.7	507.4
Depreciation and amortization	(29.1)	(101.2)	(11.1)	(3.1)	(8.6)	(153.1)	-	(153.1)
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(0.1)	(1.7)	0.3	-	(0.6)	(2.1)	-	(2.1)
EBIT	193.4	77.1	39.1	27.3	(7.4)	329.5	22.7	352.2
Finance activity, net						(15.1)	16.8	1.7
Income tax expenses						(27.8)	(5.9)	(33.7)
Net profit						286.6	33.6	320.2
Investments	542.7	346.8	4.9	25.0	17.7	937.1	-	937.1
2022								
Total revenue	457.6	697.6	237.3	3,001.1	(77.1)	4,316.5	70.4	4,386.9
Purchases of electricity, natural gas and other services	(153.4)	(398.7)	(126.9)	(2,947.8)	18.1	(3,608.7)	-	(3,608.7)
Salaries and related expenses	(11.9)	(64.5)	(8.7)	(13.0)	(17.7)	(115.8)	-	(115.8)
Repair and maintenance expenses	(5.5)	(30.7)	(4.4)	-	-	(40.6)	-	(40.6)
Other expenses	(34.3)	(39.2)	(62.8)	(24.7)	78.9	(82.1)	-	(82.1)
EBITDA	252.4	164.5	34.6	15.6	2.2	469.3	70.4	539.7
Depreciation and amortization	(28.0)	(90.1)	(11.7)	(2.2)	(5.7)	(137.7)	-	(137.7)
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(2.8)	(11.8)	0.2	-	0.2	(14.2)	-	(14.2)
EBIT	221.7	62.6	23.1	13.4	(3.4)	317.4	70.4	387.8
Finance activity, net						(27.1)	(23.4)	(50.5)
Income tax expenses						(34.3)	(9.6)	(43.9)
Net profit						256.0	37.4	293.4
Investments	226.2	268.1	15.0	6.8	5.7	521.8	-	521.8

Business segments (equal to Operating segments in accordance with IFRS 8) are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. There are varying levels of integration between segments within the Group. Integration between Green Generation and Customers&Solutions includes incorporating renewable energy option into customer offerings. The Group's Shared Service Center (GSC) provides shared IT, marketing, finance, and other services to the entire Group and is integrated with all segments. Inter-segment pricing is determined on an arm's length basis. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board.

The Group is divided into four operating segments based on their core activities. For more information about the segments, see Integrated Annual Report sections '2.1 Business profile' and '3.5 Results by business segment'. The list of entities assigned to each segment is provided in Note 32.

The chief operating decision-maker monitors the results with reference to the financial reports that have been prepared using the same accounting policies as those used for the preparation of the financial statements. The primary alternative performance measure is Adjusted EBITDA. Additionally, the management also analyses Investments of each individual segment. All measures are calculated using the data presented in the financial statements, and selected items which are not defined by IFRS are adjusted by the management. The Group management calculates the main performance measures as provided in section 7.3 of the Integrated Annual Report 2023.

The Group's management calculates the main performance measures as described by the definitions of alternative performance measures, which can be found in Integrated Annual Report sections '7.3 Alternative Performance Measures'.

5.1 EBITDA

Management's adjustments include:
- temporary regulatory differences;
- asset rotation result (if any);
- significant one-off gains or losses (if any).

In the management's view, Adjusted EBITDA more accurately presents the results of the operations and enable a better comparison of the results between the periods as they indicate the amount that was actually earned by the Group in the reporting year by eliminating the differences between the permitted return set by NERC and the actual return for the period (temporary regulatory differences).

The management's adjustments used in calculating the Adjusted EBITDA and Adjusted EBIT:

	2023	2022	Δ	Δ, %
EBITDA APM	507.4	539.7	(32.3)	(6.0%)
Adjustments[1]				
Temporary regulatory differences[1]	(22.7)	(70.4)	*47.7*	*67.8%*
Networks	(112.2)	16.5	*(128.7)*	n/a
Customers & Solutions	90.2	(82.7)	*172.9*	*n/a*
Reserve Capacities	(0.2)	(3.4)	*3.2*	*94.1%*
Green Generation	(0.5)	(0.8)	*0.3*	*37.5%*
Total EBITDA adjustments	(22.7)	(70.4)	*47.7*	*67.8%*
Adjusted EBITDA APM	484.7	469.3	15.4	3.3%
Adjusted EBITDA Margin APM	19.2%	10.9%	8.3%	n/a

[1] Temporary regulatory differences. Elimination of the difference between the actual profit earned during the reporting period and the profit allowed by the regulator.

Adjustments related to the Networks segment's regulated activities (EUR -112.2 million) include:
- eliminating the higher-than-allowed current-year profit of EUR -153.9 million (EUR -15.2 million in 2022), which will be returned during the future periods. The amounts for the current year are based on the management's estimate arising from comparison between the return on investments permitted by NERC and estimated by the management using actual financial and operating data for the current period;
- adding back higher-than-allowed profit earned during previous periods of EUR 41.7 million (EUR 31.7 million in 2022), which is realised through the tariffs for the current period. These amounts are based on the resolutions passed by NERC.

Adjustments related to the Customers & Solutions segment's regulated activities (EUR +90.2 million) include:
- adding back lower return than established in the calculation methodology used by NERC from natural gas designated supply activities of EUR 71.0 million (EUR -5.5 million in 2022);
- adding back lower return than established in the calculation methodology used by NERC from natural gas public supply activities of EUR 16.5 million (EUR -79.6 million in 2022);
- adding back lower return than established in the calculation methodology used by NERC from electricity public supply activities of EUR 2.6 million (EUR 2.4 million in 2022) due to over-declared consumption by customers.

Adjustments related to the Green Generation segment's regulated activities (EUR -0.5 million) include:
- eliminating higher than in the calculation methodology used by NERC established return from Kruonis pumped storage power plant regulated services of EUR -0.5 million (EUR -0.8 million in 2022).

Adjustments related to the Reserve Capacities segment's regulated activities (EUR -0.2 million) include:
- eliminating higher than in the calculation methodology used by NERC established return from Elektrėnai complex regulated services of EUR -0.2 million (EUR -3.4 million in 2022).

5.2 Operating profit (EBIT)

Operating profit (EBIT) adjustments:

	2023	2022	Δ	Δ, %
Operating profit (EBIT) APM	352.2	387.8	*(35.6)*	*(9.2)%*
Adjustments				
Total EBITDA adjustments	(22.7)	(70.4)	*47.7*	*67.8%*
Total Operating profit (EBIT) adjustments	**(22.7)**	**(70.4)**	***47.7***	***67.8%***
Adjusted EBIT APM	329.5	317.4	*12.1*	*3.8%*

5.3 Net profit

(2) One-off financial activity adjustments

One-off financial activity adjustments for 2023 include elimination of investment funds increase in fair value (EUR 16.8 million). One-off financial activity adjustments for 2022 include the elimination of fair value decrease in investment funds (EUR -6.3 million) and the Kaunas CHP's option fair value increase (added to expenses in the Statement of profit or loss) (EUR -17.1 million).

(3) Adjustments' impact on income tax

An additional income tax adjustment of 15% (statutory income tax rate in Lithuania) is applied to all of the above net profit adjustments.

Net profit adjustments, EUR:

	2023	2022	Δ	Δ, %
Net profit	320.2	293.4	26.8	9.1%
Adjustments				
Total EBITDA adjustments (1)	(22.7)	(70.4)	*47.7*	*67.8%*
One-off financial activity adjustments (2)	(16.8)	23.4	*(40.2)*	*n/a*
Adjustments' impact on income tax (3)	5.9	9.6	*(3.7)*	*(38.5%)*
Total net profit adjustments	(33.6)	(37.4)	3.8	10.2%
Adjusted Net Profit APM	286.6	256.0	30.6	12.0%

6 Revenue

6.1 Revenue by type

EURm	2023	2022
Revenue from the sale of electricity	682.2	1,315.9
Revenue from electricity transmission and distribution	452.8	532.3
Revenue from sale of produced electricity	310.1	497.0
Revenue from public electricity supply	48.4	239.4
Revenue from services ensuring the isolated operation of power system and capacity reserve	63.3	132.7
Electricity related revenue	**1,556.8**	**2,717.3**
Revenue from gas sales	807.0	1,513.2
Revenue from gas distribution	73.1	41.9
Revenue of LNGT security component	11.2	19.0
Gas related revenue	**891.3**	**1,574.1**
Revenue from sale of heat energy	39.8	33.0
Revenue from new customers' connection and upgrade fees	10.6	9.2
Other revenue from contracts with customers	43.9	47.7
Other revenue	**94.3**	**89.9**
Total revenue from contracts with customers	2,542.4	4,381.3
Other	6.7	5.6
Other income	6.7	5.6
Total revenue	2,549.1	4,386.9

6.2 Revenue by geographic segment

In 2023, the Group earned 82.0% (75.3% in 2022) of its revenue in Lithuania (EUR 2,090.4 million). The Group's revenue from other countries decreased to 18.0%, mostly in Finland and Poland, and reached EUR 458.7 million (EUR 1,081.9 million in 2022), mainly due to lower electricity and natural gas volumes sold and lower market prices.

EURm	2023	2022
Lithuania	2,090.4	3,305.0
Finland	167.7	377.0
Poland	133.6	110.9
Latvia	117.3	529.5
Estonia	19.0	45.3
Other countries	21.1	19.2
Total	2,549.1	4,386.9

6.3 Revenue from contracts with customers by timing

EURm	2023	2022[1]
Performance obligation settled over time	2,424.7	3,901.6
Performance obligation settled at a specific point in time	117.7	479.7
Total	2,542.4	4,381.3

[1] Part of the amounts do not agree with the financial statements issued for the year 2022 due to reclassification of EUR 468.8 million from 'Performance obligation settled over time' to 'Performance obligation settled at a specific point in time'. Reclassification was made in order to provide more reliable information for the users of financial statements.

6.4 Significant accounting estimates and judgements

6.4.1 Determining whether the Group acts as a Principal or an Agent in relation to electricity transmission and distribution services

In providing electricity transfer service, which includes transmission and distribution services, to end-users, the Group in Lithuania and Latvia acquires electricity transmission services from the transmission grid operator (not a part of the Group), and in Latvia it acquires electricity distribution services from the distribution grid operator which is not a part of the Group. The management of the Group analysed the related contracts with the electricity transmission and distribution grid operators and the contracts with customers, and also evaluated the applicable regulatory environment to conclude whether the Group is acting as a Principal or as an Agent in relation to the electricity transmission services in Lithuania and the electricity transfer (includes both transmission and distribution) services in Latvia. The management has concluded that the Group acts:

- as an Agent in relation to the electricity transmission and distribution services acquired from the Latvian operator of the electricity transfer system;
- as a Principal in relation to the electricity transmission services acquired from the Lithuanian operator of the transmission system.

6.4.2 Determining whether the Group acts as a Principal or an Agent in relation to gas distribution services

In providing gas distribution services to customers in Lithuania, the Group uses its own distribution network, in Latvia – the Group acquires these services from the company which is not a part of the Group. The management of the Group analysed the related contracts with the Latvian gas distribution grid operator and the contracts with customers, evaluated the applicable regulatory environment and, to conclude whether the Group is acting as a Principal or as an Agent in relation to the gas distribution services in Latvia, the management has considered the following arguments:

- the Group is not ultimately responsible for gas distribution services since, according to the laws and regulations and agreements with customers, the owner of the distribution grid takes full responsibility;
- the Group also does not bear the inventory risk since the price of distribution services is determined based on meter readings, i.e., the distribution fee is charged to the Group only to the amount of gas consumed by the end customer;
- the price of the distribution component is determined by the grid operator, which is not a part of the Group, and approved by the regulator.

Following the arguments presented above, the management has applied a significant judgement and concluded that the Group acts as an Agent in relation to the gas distribution services acquired from the Latvian operator of gas distribution system.

6.4.3 Determining whether the Group acts as a Principal or an Agent in relation to gas transmission services

The Group provides gas supply services to customers and collects payments from them for gas transmission services that are provided by the transmission grid operator (does not belong to the Group). The management has applied a significant judgment and concluded that the Group acts as an Agent in relation to collecting the transmission service component from customers due to the following argumentation:
- the Group is not ultimately responsible for gas transmission services since, according to the laws and regulations, the owner of the transmission grid takes full responsibility;
- the Group also does not bear the inventory risk since the price of transmission services is determined based on meter readings, i.e., the transmission fee is charged to the Group only to the amount of natural gas consumed by the end customer;
- the price of the transmission component is determined by the transmission grid operator, which is not a part of the Group, and approved by the regulator.

Following the arguments presented above, the Management has applied a significant judgement and concluded that the Group acts as an Agent in relation to gas transmission services for which the Group collects payments from the end customers.

6.4.4 Determining whether the Group acts as a Principal or an Agent in relation to PSO fees and LNGT security component

The management has applied a significant judgment and concluded that the Group acts as an Agent in relation to collecting the PSO fees and the LNGT security component from customers due to the following argumentation:
1) the Group is not responsible for PSO and LNGT projects/initiatives and, accordingly, it is not responsible that the collected PSO fees and the LNGT security component are used for their intended purpose;
2) the Group is not exposed to any inventory risk;
3) the Group has no legal power to establish pricing of these components.

7 Expenses

7.1 Purchases of electricity, gas and other services

EURm	2023	2022
Purchases of natural gas and related services	886.1	1,501.3
Purchases of electricity and related services	840.8	2,082.1
Other purchases	30.8	25.3
Total	1,757.7	3,608.7

The Group's purchase of electricity, natural gas and other purchases amounted to EUR 1,757.7 million in 2023 and decreased by 51.4% compared to 2022. The decrease was caused by lower purchase of electricity and related services (EUR -1,241.3 million), which was mostly impacted by lower market prices and lower consumption. Expenses from purchase of natural gas and related services decreased by 41.0%, or EUR -615.2 million, mainly impacted by lower volume sold and lower market prices.

7.2 Salaries and related expenses

EURm	2023	2022
Fixed wages and salaries	132.9	111.0
Variable wages and salaries	23.6	21.3
Other wages and salaries expenses	5.0	4.6
Attributable cost to property, plant and equipment and intangible assets	(24.8)	(21.1)
Total	136.7	115.8

In 2023 salaries and related expenses were EUR 20.9 million (or 18.0%) higher compared to 2022, which increased mainly due to the growth in Group's average salary and headcount.

7.3 Repairs and maintenance expenses

EURm	2023	2022
Electricity network	42.1	27.8
Electricity and heat power generation equipment	14.6	9.8
Gas network	4.0	2.9
Other	0.4	0.1
Total	61.1	40.6

7.4 Other expenses

EURm	2023	2022
Asset management and administration	15.8	12.6
Telecommunications and IT services	12.8	10.5
Customer service	11.6	13.3
Taxes (other than income taxes)	9.2	8.7
Ineffective energy hedging result (Note 31.1, 31.2)	8.1	18.5
People and culture	5.2	3.4
Finance and accounting	5.0	2.3
Communication	3.2	2.4
Legal	2.7	1.3
Other	12.6	9.1
Total	86.2	82.1

8 Finance activity

EURm	2023	2022
Interest income at the effective interest rate	17.6	1.7-
Investment funds – at FVTPL (Note 15.1)	16.7	-
Other income from financing activities	7.4	1.9
Total finance income	41.7	3.6
Interest expenses	33.4	28.4
Fair value change of put option redemption liability (Note 30.1)	-	17.1
Investments funds – at FVTPL (Note 15.1)	-	6.2
Interest and discount expense on lease liabilities	1.2	1.2
Other expenses of financing activities	5.4	1.2
Total financial expenses	40.0	54.1
Finance activity, net	1.7	(50.5)

8.1 The Group's interest income

In 2023, the Group received in cash the amount of EUR 10.7 million (in 2022: EUR 0.6 million) in interest income, which is presented in the Statement of cash flows under 'Interest received'.

9 Income taxes

9.1 Amounts recognised in profit or loss

EURm	2023	2022
Income tax expenses (benefit) for the year	32.4	58.4
Deferred tax expenses (benefit)	1.3	(14.5)
Total	33.7	43.9

9.2 Amounts recognised in other comprehensive income

Income taxes during 2023 recognised in other comprehensive income comprise EUR 4.5 million in income tax benefit and EUR 11.1 million in deferred tax benefit (in 2022 EUR 13.3 million in income tax expenses and EUR 0.2 million in deferred tax benefit) mainly related to the Group's effective hedging derivatives.

9.3 Reconciliation of effective tax rate

Income tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the Group:

EURm	2023	2023	2022	2022
Profit (loss) before tax		353.9		337.3
Income tax expenses (benefit) at tax rate of 15%	15.00%	53.1	15.00%	50.6
Effect of tax rates in foreign jurisdictions	0.03%	0.1	0.18%	0.6
Non-taxable income and non-deductible expenses	1.32%	4.7	1.36%	4.6
Income tax relief for the investment project	(5.15%)	(18.3)	(3.47%)	(11.7)
Adjustments in respect of prior years	(1.42%)	(5.0)	-	-
Other	(0,25%)	(0.9)	(0,06%)	(0.2)
Income tax expenses (benefit)	9.54%	33.7	13,02%	43.9

Standard corporate income tax rate of 15% was applicable to the companies in Lithuania, in Poland – 19%, in Finland – 20%. Standard corporate income tax rate in Latvia and Estonia is 20% (14% in certain cases) on the gross amount of the distribution.

Income tax relief for the investment project included the income tax relief for the investment projects in 2023 and the income tax relief from previous periods, for which the deferred tax assets were not recognised.

9.4 Global minimum top-up tax

The Group operates in Lithuania, Latvia, Estonia, Poland and Finland. As at 31 December 2023, only Finland has enacted the new legislation to implement the global minimum top-up tax. However, since the newly enacted tax legislation is only effective from 1 January 2024, there is no current tax impact for the year ended 31 December 2023.

The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as current, when it is incurred.

9.5 Deferred tax

EURm	As at 31 December 2021[1]	Recognised in profit or loss	Recognised in other comprehensive income	Deferred taxes assumed through business combinations and recognised directly in equity	As at 31 December 2022[1]	Recognised in profit or loss	Recognised in other comprehensive income	Deferred taxes assumed through business combinations and recognised directly in equity (Note 32.5)	Difference on exchange rate	As at 31 December 2023
Deferred tax assets										
Revaluation of property, plant and equipment (PPE)	19.2	0.6	0.2	-	20.0	(2.0)	(0.7)	-	-	17.3
Inventories write down to NRV	0.5	15.4	-	-	15.9	(14.7)	-	-	-	1.2
Difference on recognition of income from new customers' connection and upgrade fees	12.8	(0.7)	-	-	12.1	(0.8)	-	-	-	11.3
Income tax relief for the investment project	8.7	0.7	-	-	9.4	0.2	-	-	-	9.6
Lease liability (IFRS16)	6.4	2.6			9.0	(0.8)	-		0.2	8.4
Accrued expenses	3.4	2.0	-	-	5.4	(1.2)	-	-	0.1	4.3
Impairment of trade receivables	1.4	0.3	-	-	1.7	0.1	-	-	-	1.8
Tax losses carry forward	1.7	(0.3)	-	-	1.4	22.0	12.6	-	-	36.0
Impairment of PPE	0.9	(0.1)	-	-	0.8	-	-	-	-	0.8
Other	4.1	4.4	-	-	8.5	(1.7)	(0.1)	-	0.2	6.9
Deferred tax asset	59.1	24.9	0.2	-	84.2	1.1	11.8	-	0.5	97.6
Deferred tax liabilities				-				-		
Differences of financial and tax value (PPE)	74.9	3.0	-	-	77.9	6.3	-	-	0.3	84.5
Difference of financial and tax value of assets acquired through business combination	3.0	0.7	-	5.7	9.4	(0.3)	-	16.8	(0.2)	25.7
Right-of-use asset (IFRS16)	6.1	2.3			8.4	(1.3)	-	-	0.1	7.2
Derivatives	1.0	3.9	-	-	4.9	(4.9)	-	-	-	-
Write-off grants	3.1	-	-	-	3.1	0.1	-	-	-	3.2
Other	4.1	0.5	-	-	4,6	2.5	0.7	-	0.1	7.9
Deferred tax liability	92.2	10.4	-	5.7	108.3	2.4	0.7	16.8	0.3	128.5
Deferred tax, net	(33.1)	14.5	0.2	(5.7)	(24.1)	(1.3)	11.1	(16.8)	0.2	(30.9)

[1] Part of the amounts do not agree with the financial statements issued for the year 2021 and 2022 due to the adopted Amendments to IAS 12 requirements (Note 3.1.1). The Group has recognised a separate deferred tax asset in relation to its lease liabilities and deferred tax liability in relation to its right-of-use assets (deferred tax assets of EUR 6.4 million and deferred tax liabilities of EUR 6.1 million as at 31 December 2021 and deferred tax assets of EUR 9.0 million and deferred tax liabilities of EUR 8.4 million as at 31 December 2022).

The Group's Statement of financial position as at 31 December 2023 presents separately deferred tax assets of EUR 56.5 million and deferred tax liabilities of EUR 87.4 million related to different subsidiaries. The net balance of deferred tax is liability of EUR 31.1 million. Deferred tax assets and liabilities arising from the same entity are presented on the net basis in the Statement of financial position (as at 31 December 2022 deferred tax asset was EUR 31.1 million, deferred tax liability – EUR 55.2 million).

As at 31 December 2023, the Group did not recognise the deferred tax assets on investment tax relief of EUR 44.2 million, as it is not clear whether future taxable profits will be available against which they can be used (31 December 2022 did not recognise deferred tax assets on investment tax relief of EUR 14.0 million).

In Lithuania, tax losses can be carried forward for an indefinite period, except for losses incurred as a result of disposal of securities and/or derivatives. Such carrying forward is disrupted if the Group changes its activities due to which these losses incurred, except cases when the Group does not continue its activities due to reasons which do not depend on the Group itself. The losses from the disposal of securities and/or derivatives can be carried forward for 5 consecutive years and can only be used to reduce the taxable income earned from the transactions of the same nature. In terms of utilising the tax losses carried forward, the amount may not exceed 70% of the taxpayer's taxable profits in a given year.

In Poland, losses that could not have been set off may be carried forward for the maximum period of 5 years. Up 50% of loss may be utilised in a given year. It is also possible to reduce the losses by the amount not exceeding PLN 5.0 million at a time, with the amount not deducted being settled in the remaining years over the five-year period, provided that the amount of the reduction in any of those years may not exceed 50% of the amount of the losses.

10 Other comprehensive income

EURm	Revaluation reserve	Hedging reserve	Other reserves	Retained earnings	Total
Items that will not be reclassified to profit or loss in subsequent periods					
Revaluation of property, plant and equipment	(1.3)	-	-	-	(1.3)
Result of change in actuarial assumptions	-	-	-	0.4	0.4
Tax	0.2	-	-	-	0.2
Items that may be reclassified to profit or loss in subsequent periods					
Cash flow hedges – effective portion of change in fair value	-	289.8	-	-	289.8
Cash flow hedges – reclassified to profit or loss	-	(194.5)	-	-	(194.5)
Foreign operations – foreign currency translation differences	-	-	(2.1)	-	(2.1)
Tax	-	(13.3)	-	-	(13.3)
Total as at 31 December 2022	(1.1)	82.0	(2.1)	0.4	79.2
Items that will not be reclassified to profit or loss in subsequent periods					
Revaluation of property, plant and equipment	4.5	-	-	-	4.5
Result of change in actuarial assumptions	-	-	-	1.4	1.4
Tax	(0.7)	-	-	(0.1)	(0.8)
Items that may be reclassified to profit or loss in subsequent periods					
Cash flow hedges – effective portion of change in fair value	-	(159.9)	-	-	(159.9)
Cash flow hedges – reclassified to profit or loss	-	40.5	-	-	40.5
Foreign operations – foreign currency translation differences	-	-	25.4		25.4
Tax	-	17.1	(0.7)	-	16.4
Total as at 31 December 2023	3.8	(102.3)	24.7	1.3	(72.5)

Total amount of taxes recognised in other comprehensive income in 2023 EUR 15.6 million, this amount includes EUR 4.5 million in income tax benefit and EUR 11.1 million in deferred tax benefit (9.5 Note) (total amount of taxes recognised in 2022 EUR -13.1 million, this amount include EUR -13.3 million in income tax expenses and EUR 0.2 million in deferred tax benefit).

11 Intangible assets

EURm	Patents and licences	Computer software	Goodwill	Servitudes and security zones	Licenses and rights to produce electricity[1]	Other intangible assets	Total
Acquisition cost at 1 January 2023	0.3	46.1	5.3	23.0	73.7	41.3	189.7
Additions	-	0.4	-	1.2	-	25.3	26.9
Reclassifications between categories	-	22.3	-	-	-	(22.3)	-
Reclassifications (to)/from property, plant & equipment	-	-	-	-	-	2.0	2.0
Re-measurement of provision related to rights to servitudes and security zones	-	-	-	(3.3)	-	-	(3.3)
Acquisition through business combination (Note 32.5.1, 32.5.2)	-	-	10.6	-	139.3	(0.7)	149.2
Reclassifications (to)/from other items of Statement of financial position	-	-	-	-	-	(0.3)	(0.3)
Foreign currency exchange difference	-	-	-	-	5.1	-	5.1
Acquisition cost at 31 December 2023	0.3	68.8	15.9	20.9	218.1	45.3	369.3
Accumulated amortisation at 1 January 2023	(0.3)	(27.7)	-	-	(8.9)	(4.5)	(41.4)
Amortisation	-	(8.7)	-	-	(3.3)	(0.3)	(12.3)
Foreign currency exchange difference	-	-	-	-	(0.2)	-	(0.2)
Accumulated amortisation at 31 December 2023	(0.3)	(36.4)	-	-	(12.4)	(4.8)	(53.9)
Carrying amount at 31 December 2023	-	32.4	15.9	20.9	205.7	40.5	315.4
Acquisition cost at 1 January 2022	0.3	40.7	4.9	33.6	53.1	19.6	152.2
Additions	-	0.9	-	-	-	28.7	29.6
Disposals	-	(2.7)	-	-	-	-	(2.7)
Write-offs	-	-	-	-	(7.7)	-	(7.7)
Reclassifications between categories	-	7.1	-	-	-	(7.1)	-
Reclassifications (to)/from property, plant & equipment	-	0.1	-	-	-	0.2	0.3
Re-measurement of provision related to rights to servitudes and security zones	-	-	-	(10.6)	-	-	(10.6)
Acquisitions through business combination	-	-	0.4	-	29.5	-	29.9
Foreign currency exchange difference	-	-	-	-	(1.2)	(0.1)	(1.3)
Acquisition cost at 31 December 2022	0.3	46.1	5.3	23.0	73.7	41.3	189.7
Accumulated amortisation at 1 January 2022	(0.3)	(23.2)	-	-	(10.3)	(4.4)	(38.2)
Amortisation	-	(6.4)	-	-	(3.4)	(0.3)	(10.1)
Disposals	-	1.9	-	-	-	-	1.9
Write-offs	-	-	-	-	4.8	-	4.8
Foreign currency exchange difference	-	-	-	-	-	0.2	0.2
Accumulated amortisation at 31 December 2022	(0.3)	(27.7)	-	-	(8.9)	(4.5)	(41.4)
Carrying amount at 31 December 2022	-	18.4	5.3	23.0	64.8	36.8	148.3

[1] *The Group in 2023 allocated part of the intangible assets allocated to 'Other intangible assets' class to new asset class 'Licenses and rights to produce electricity'. Comparative figures were reclassified accordingly.*

11.1 Goodwill

EURm	31 December 2023	31 December 2022
WINDLIT, UAB	7.8	-
UAB "VVP Investments"	2.1	2.1
UAB "EURAKRAS"	1.5	1.5
Pomerania Wind Farm sp. z o. o.	1.3	1.3
SIA CVE	1.0	-
Other entities	2.2	0.4
Carrying amount	15.9	5.3

Change in goodwill identified through business combination is related to the acquisition of new subsidiaries during the year 2023 (Note 32.5.1) and the reassessment of fair values of the assets identified through business combination established in the year 2022 (Note 32.5.2).

11.2 Fully amortised intangible assets

The acquisition cost of fully amortised intangible assets used by the Group were as follows:

EURm	31 December 2023	31 December 2022
Patents and licences	0.1	-
Computer software	11.6	1.1
Other intangible assets	0.2	0.1
Acquisition cost of fully amortised assets, total	11.9	1.2

11.3 Acquisition commitments

The Group's acquisition commitments amounted to EUR 4.0 million as at 31 December 2023 (31 December 2022: EUR 1.3 million).

11.4 Servitudes and protection zones

The movement of intangible assets 'Servitudes and protection zones' in 2023 is presented below:

Servitudes and protection zones, EURm	31 December 2022	Change	31 December 2023
Statutory servitudes – provision (Note 28.2.1)	8.1	(2.6)	5.5
Protection zones – provision	1.6	(0.6)	1.0
Statutory and contractual servitudes - acquisition cost	6.2	0.4	6.6
Protection zones – acquisition cost	7.1	0.7	7.8
Servitudes and protection zones, total	23.0	(2.1)	20.9

11.5 Significant accounting estimate: Impairment of goodwill

The Group performed an impairment test of goodwill recognised on acquisitions of the subsidiaries and determined that no impairment is needed as at 31 December 2023.

The impairment test was performed using the discounted cash flow method and using the following key assumptions:
1. the cash flow forecast covered the period until 2040–2054, with reference to the typical operational period of 30 years.
2. the production volume is stable each year based on a third-party study of a wind farm or actual production capacity (depending on the wind farm).
3. the price of electricity is set at the agreed tariff if the project is awarded in government auctions and tenders or the offtake is secured through PPA (Power Purchase Agreement) or similar instruments. Otherwise, a third-party electricity price forecast is applied;
4. discount rate of 7.3–8.6% after tax (weighted average costs of capital after tax) (7.5–9.6% pre-tax) was used to calculate the discounted cash flows.

12 Property, plant, and equipment

EURm	Land[1]	Buildings[1]	Electricity networks and their structures[1]	Gas distribution pipelines, gas technological equipment and installations	Assets of Hydro Power Plant, Pumped Storage Power Plant	Combined Cycle Unit and Reserve Power Plant	Wind power plants and their installations	Cogeneration plants	Other property, plant and equipment[1]	Construction-in-progress	Total
Acquisition cost or revalued amount at 1 January 2023	3.3	1.2	1,432.9	300.5	212.2	772.4	210.0	268.3	98.8	318.8	3,618.4
Additions	-	-	0.6	-	-	0.2	-	0.3	5.8	678.9	685.8
Revaluation	-	-	2.1	-	-	-	-	-	2.9	-	5.0
Disposals	-	-	(3.8)	-	-	(0.5)	(0.2)	-	(0.1)	-	(4.6)
Write-offs	-	-	(2.2)	(0.1)	-	(0.1)	-	-	(0.7)	(0.5)	(3.6)
Reclassifications from constructions in-progress	-	-	323.0	11.4	1.4	5.6	82.4	0.3	4.5	(428.6)	-
Reclassifications (to)/from other items of Statement of financial position	(0.1)	(0.4)	-	-	-	(0.1)	-	-	(0.8)	(3.9)	(5.3)
Acquisitions through business combination (Note 32.5)	-	-	-	-	-	-	-	-	-	9.7	9.7
Foreign currency exchange difference	-	-	-	-	-	-	8.4	-	-	0.7	9.1
Acquisition cost or revalued amount at 31 December 2023	3.2	0.8	1,752.6	311.8	213.6	777.5	300.6	268.9	110.4	575.1	4,314.5
Accumulated depreciation and impairment losses at 1 January 2023	-	(0.5)	(73.7)	(28.8)	(123.5)	(485.6)	(36.2)	(21.7)	(37.3)	(0.2)	(807.5)
Depreciation	-	-	(82.6)	(8.8)	(5.0)	(19.2)	(8.7)	(11.0)	(12.3)	-	(147.6)
Revaluation and/or impairment (impairment reversal)	-	-	-	-	-	-	-	-	0.6	-	0.6
Disposals	-	-	0.9	-	-	0.5	0.1	-	-	-	1.5
Write-offs	-	-	0.2	0.1	-	0.1	-	-	0.6	-	1.0
Reclassifications (to)/from other items of Statement of financial position	-	-	-	-	-	0.1	-	-	0.3	-	0.4
Foreign currency exchange difference	-	-	-	-	-	-	(0.4)	-	-	-	(0.4)
Accumulated depreciation and impairment losses at 31 December 2023	-	(0.5)	(155.2)	(37.5)	(128.5)	(504.1)	(45.2)	(32.7)	(48.1)	(0.2)	(952.0)
Carrying amount at 31 December 2023	3.2	0.3	1,597.4	274.3	85.1	273.4	255.4	236.2	62.3	574.9	3,362.5

[1]As at 31 December 2023, the Group has performed reclassifications between the property, plant and equipment classes in order to provide a more reliable information for the users of the financial statements. The Group has reclassified a part of 'Land', 'Buildings' and 'Other property, plant and equipment' amounts that are directly related to the electricity networks to 'Electricity networks and their structures' group. Accordingly, the Group has performed the reclassifications in comparative periods.

(Cont'd on the next page)

EURm	Land[1]	Buildings[1]	Electricity networks and their structures[1]	Gas distribution pipelines, gas technological equipment and installations	Assets of Hydro Power Plant, Pumped Storage Power Plant	Combined Cycle Unit and Reserve Power Plant	Wind power plants and their installations	Cogeneration plants	Other property, plant and equipment[1]	Construction-in-progress	Total
Acquisition cost or revalued amount at 1 January 2022	3.4	42.6	1,166.5	285.8	212.2	772.5	199.0	262.5	97.3	251.3	3,293.1
Restatement due to reclassification[1]	(0.1)	(40.9)	47.9	-	-	-	-	-	(6.9)	-	-
Acquisition cost or revalued amount at 1 January 2022 (restated)[1]	3.3	1.7	1,214.4	285.8	212.2	772.5	199.0	262.5	90.4	251.3	3,293.1
Additions	-	-	0.7	-	-	0.1	3.4	-	4.5	323.3	332.0
Revaluation	-	-	(9.4)	-	-	-	-	-	0.4	-	(9.0)
Disposals	-	-	(0.1)	-	-	-	(0.3)	-	(0.4)	-	(0.8)
Write-offs	-	-	(4.0)	(0.7)	(0.2)	(1.3)	-	-	-	-	(6.2)
Reclassifications from constructions in-progress	-	-	231.3	15.4	0.1	1.5	2.1	6.8	3.4	(260.6)	-
Other reclassifications between categories	-	(0.3)	(0.2)	-	-	0.3	-	(0.9)	1.1	-	-
Reclassifications (to)/from other items of Statement of financial position	-	(0.2)	0.2	-	0.1	(0.7)	7.8	(0.1)	(0.6)	(0.3)	6.2
Acquisition through business combination	-	-	-	-	-	-	-	-	-	5.0	5.0
Foreign currency exchange difference	-	-	-	-	-	-	(2.0)	-	-	0.1	(1.9)
Acquisition cost or revalued amount at 31 December 2022 (restated)[1]	3.3	1.2	1,432.9	300.5	212.2	772.4	210.0	268.3	98.8	318.8	3,618.4
Accumulated depreciation and impairment losses at 1 January 2022	-	(0.4)	-	(22.7)	(118.6)	(467.1)	(27.1)	(10.9)	(28.2)	(0.2)	(675.2)
Restatement due to reclassification[1]	-	-	(0.2)	-	-	-	-	-	0.2	-	-
Accumulated depreciation and impairment losses at 1 January 2022 (restated)[1]	-	(0.4)	(0.2)	(22.7)	(118.6)	(467.1)	(27.1)	(10.9)	(28.0)	(0.2)	(675.2)
Depreciation	-	(0.1)	(73.8)	(6.6)	(5.0)	(19.8)	(7.6)	(10.8)	(10.0)	-	(133.7)
Disposals	-	-	0.1	-	-	-	0.1	-	0.2	-	0.4
Revaluation and/or impairment (impairment reversal)	-	-	0.3	0.5	-	-	-	-	-	-	0.8
Write-offs	-	-	-	-	0.2	1.1	-	-	-	-	1.3
Reclassifications (to)/from other items of Statement of financial position	-	-	(0.1)	-	(0.1)	0.2	(1.7)	-	0.5	-	(1.2)
Foreign currency exchange difference	-	-	-	-	-	-	0.1	-	-	-	0.1
Accumulated depreciation and impairment losses at 31 December 2022 (restated)[1]	-	(0.5)	(73.7)	(28.8)	(123.5)	(485.6)	(36.2)	(21.7)	(37.3)	(0.2)	(807.5)
Carrying amount at 31 December 2022 (restated)[1]	3.3	0.7	1,359.2	271.7	88.7	286.8	173.8	246.6	61.5	318.6	2,810.9

[1]As at 31 December 2023, the Group has performed reclassifications between the property, plant and equipment classes in order to provide a more reliable information for the users of the financial statements. The Group has reclassified a part of 'Land', 'Buildings' and 'Other property, plant and equipment' amounts that are directly related to the electricity networks to 'Electricity networks and their structures' group. Accordingly, the Group has performed reclassifications in comparative periods.

12.1 Impairment and revaluation of property, plant and equipment

12.1.1 Revaluation of property, plant and equipment used in electricity distribution

The carrying amount of PPE allocated to this CGU is EUR 1,691.6 million as at 31 December 2023 (EUR 1,324.9 million as at 31 December 2022).

As mentioned in Note 12.7.1, the Group performed assessment of fair value of this CGU and decided not to perform the full revaluation. For this, the Group analysed whether the assumptions made in the full revaluation in 2023 had not changed significantly – it was noted that only several assumptions changed:

- discount rate (after-tax) was 4.33% (5.09% pre-tax);
- rate of return set by NERC in 2024 – 5.09% (approximates the pre-tax discount rate);
- the advance schedule for returning the EUR 157.7 million regulatory difference, which has formed due to the long run average increase costs ('LRAIC') model, will reduce the Group's revenue by EUR 157.7 million in 2024–2031.
- changes in the additional component amount calculation, which will allow to keep the sustainable debt level of 5,5x, as determined in the approved methodology.

However, these changes did not significantly impact the fair value of property, plant and equipment used in electricity distribution. Other assumptions did not change significantly, accordingly were used in the valuation in 2023.

The following key assumptions were used in 31 December 2023 valuation:

- discount rate (after-tax) was 4.33% (5.09% pre-tax).
- WACC (rate of return set by NERC) 2024 – 5.09%, (approximates the pre-tax discount rate).
- an additional tariff component is established for funding of investments, on the basis whereof the amount will be included yearly in the Group's regulated income of the period of 2023-2026 and subsequent periods which will allow the keep sustainable debt level determined in the aprroved methodology. According to the management's assessment, even though there is a possibility that after the forecast period (2023-2036) an additional component (EUR 28 million yearly throughout the forecast period) will remain, however, assumed at a conservative level it is not included in the measurement of a continuous value.
- long-term forecast for investments in the electricity segment was applied, including their funding according to the updated 10-year investment plan of the Group;
- according to the measurement model, the calculated return adjustment, amounting to EUR 157.7 million, formed due to the main network elements' depreciation and investment return level being optimized and not optimized by the long run average increase costs ('LRAIC') model and due to the actual depreciation and investment return level, will reduce the Group's revenue by EUR 157.7 million in 2024–2031 and, in addition, the interest will be charged on the outstanding portion on a yearly basis;
- the fair value of assets was determined using the revenue model when forecasting cash flows until 2038, taking into consideration the projected adjustments of investment returns due to the LRAIC asset depreciation and the expected repayment term of return differences in 2018–2022 (at the end of 2020, the period of 40 years was calculated according to the depreciation term of non-current assets of the principal assets – electrical power lines.

Sensitivity analysis

The Group exercised the fair value assessment analysis of unobservable inputs variation, relying on the following scenarios:

sensitivity of variation in the investment return rate (WACC) (starting from the regulation period 2027) and the discount rate. The possible fair value changes due to the variation of these inputs are disclosed in the table below (EUR million):

			WACC (pre-tax)						
			4.22%	4.58%	4.84%	5.09%	5.34%	5.60%	5.96%
		Δ	(17)%	(10)%	(5)%	0%	5%	10%	17%
Discount rate (pre-tax)	4.22%	(17)%	16	85	135	184	232	282	351
	4.58%	(10)%	(58)	9	58	105	152	201	269
	5.09%	0%	(158)	(93)	(45)	-	45	93	158
	5.60%	10%	(251)	(188)	(142)	(98)	(55)	(9)	54
	5.96%	17%	(313)	(252)	(207)	(164)	(121)	(77)	(15)

12.2 Revalued property, plant and equipment

If property, plant and equipment had not been revalued, the carrying amount of the Group's property, plant and equipment would have been following:

EURm	Electricity networks and their structures	Other property, plant and equipment	Total
As at 31 December 2022	1,500.2	10.2	1,510.4
As at 31 December 2023	1,714.2	6.3	1,720.5

The table below includes the information on the results of impairment loss and/or revaluation of property, plant and equipment conducted in 2023:

EURm	Recognised in Statement of comprehensive income and revaluation reserve in equity	Recognised in profit or loss	Total revaluation effect
Increase (decrease) in carrying amount	4.5	1.1	5.6
Total	4.5	1.1	5.6

Results of impairment loss and/or revaluation of property, plant and equipment conducted in 2022:

EURm	Recognised in Statement of comprehensive income and revaluation reserve in equity	Recognised in profit or loss	Total revaluation effect
Increase (decrease) in carrying amount	(1.3)	(7.7)	(9.0)
Total	(1.3)	(7.7)	(9.0)

12.3 Acquisitions and disposals of property, plant and equipment

Acquisitions of property, plant and equipment during 2023 include the following major acquisitions for the construction in progress:
- acquisitions for the construction of a new biomass unit in the cogeneration plant, the final exploitation and the commercial activities of which are planned to start in 2024;
- acquisitions related to the development of the electricity distribution network;
- acquisitions for the construction projects of wind farms.

The Group has significant acquisition commitments of property, plant and equipment, which will have to be fulfilled during the later years. The Group's acquisition and construction commitments amounted to EUR 780.1 million as at 31 December 2023 (31 December 2022: EUR 364.3 million).

During 2023, the Group capitalised EUR 6.1 million of interest expenses on loans and bonds intended to finance the development of non-current assets (2022: EUR 1.7 million). The average capitalised interest rate was 3.54% in 2023 and 2.18% in 2022.

12.4 Fully depreciated property, plant and equipment

The cost or revalued amount of fully depreciated property, plant and equipment but still in used by the Group were as follows:

EURm	31 December 2023	31 December 2022
Buildings	0.1	0.1
Electricity networks and their structures	17.6	2.2
Gas distribution pipelines, gas technological equipment and installations	14.3	22.0
Assets of Hydro Power Plant, Pumped Storage Power Plant	28.4	30.0
Combined Cycle Unit and Reserve Power Plant	81.3	120.4
Other property, plant and equipment	11.1	12.1
Total	152.8	186.8

12.5 Fair value hierarchy of property, plant and equipment

In the opinion of the Group's management, the carrying amount of substantially all assets stated at the revalued amount as at 31 December 2023 and 2022 did not differ significantly from their fair value.

The table below presents the allocation between the fair value hierarchy levels of the Group's property, plant and equipment that was stated at the revalued amount as at 31 December 2023 (refer to Note 1.20 for the description of the fair value hierarchy levels). The last full revaluation was performed in 2023 for other property, plant and equipment, in 2021 for land, buildings and electricity networks and their structures.

EURm	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Electricity networks and their structures	-	-	1,597.1	1,597.1
Other property, plant and equipment	-	-	9.6	9.6
Total	-	-	1,606.7	1,606.7

The table below presents the allocation between the fair value hierarchy levels of the Group's property, plant and equipment that was stated at the revalued amount as at 31 December 2022:

EURm	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Buildings	-	-	43.7	43.7
Electricity networks and their structures	-	-	1,307.6	1,307.6
Other property, plant and equipment	-	-	70.0	70.0
Total	-	-	1,421.3	1,421.3

Assets are attributed to level 2 in the fair value hierarchy if the value is determined while using either the comparative value or the cost method approach and using inputs that are observable either directly or indirectly.

Assets are attributed to level 3 in the fair value hierarchy if the value is determined using either the income method, comparative value, cost method, depreciated replacement method or a mix of these approaches.

12.6 Pledged property, plant and equipment

As at 31 December 2023, the Group had pledged to the banks its property, plant and equipment in the carrying amount of EUR 278.7 million (31 December 2022: EUR 145.9 million).

12.7 Significant accounting estimates and judgements

12.7.1 Revaluation and impairment of property, plant and equipment used in electricity distribution

A major part of assets presented in 'Electricity networks and their structures' are used in electricity distribution activities performed by AB "Energijos skirstymo operatorius" and attributable to electricity distribution CGU in the Group. The carrying amount of PPE allocated to this CGU (incl. construction in progress and assets in other groups) is EUR 1,691.6 million as at 31 December 2023 (EUR 1,324.9 million as at 31 December 2022).

Taking into account the fact that there were no significant changes in the legal regulatory environment related to electricity, after evaluating all related assumptions, the Group determined that the carrying amount of the property, plant and equipment used in electricity distribution as at 31 December 2023 would change insignificantly (up to 5%). Taking this into account, the Group's management decided not to carry out a full revaluation of such assets in order to represent them at their new fair value. For more detailed information, see Note 12.2.

12.7.2 Impairment of property, plant and equipment used in natural gas distribution

The group of property, plant and equipment 'Gas distribution pipelines, gas technological equipment and installations' is managed by a Group company AB "Energijos skirstymo operatorius" and attributable to gas distribution CGU in the Group. This property, plant and equipment is accounted by applying the cost model and is stated at the acquisition cost less accumulated depreciation and impairment. The carrying amount of PPE allocated to this CGU (incl. construction in progress and assets in other groups) is EUR 276.6 million as at 31 December 2023 (EUR 273.7 million as at 31 December 2022).

During the assessment, the Group's management determined that during the year 2023 there were no significant changes in the legal regulatory environment related to the natural gas distribution activity. The Group's management did not identify any significant impairment indications. Accordingly, no impairment test was performed for 2023 and no additional impairment loss or reversal was recognised as at 31 December 2023.

13 Right-of-use assets

13.1 The Group's right-of-use assets

EURm	Land	Buildings	Wind power plants and their installations	Other property, plant and equipment	Total
As at 1 January 2022					
Acquisition cost	28.3	31.3	7.7	0.6	67.9
Accumulated depreciation	(1.4)	(7.1)	(1.7)	(0.2)	(10.4)
Carrying amount	26.9	24.2	6.0	0.4	57.5
Carrying amount as at 1 January 2022	26.9	24.2	6.0	0.4	57.5
Additions	0.5	1.1	-	0.1	1.7
Reclassifications (to)/from property, plant & equipment	-	-	(6.0)	-	(6.0)
Acquisition through business combination	5.2	-	-	-	5.2
Foreign currency exchange difference	(0.2)	-	-	-	(0.2)
Remeasurement of right-of-use assets	(4.3)	-	-	-	(4.3)
Depreciation	(0.7)	(4.3)	-	(0.3)	(5.3)
Carrying amount	27.4	21.0	-	0.2	48.6
31 December 2022					
Acquisition cost	29.4	32.1	-	0.7	62.2
Accumulated depreciation	(2.0)	(11.1)	-	(0.5)	(13.6)
Carrying amount	27.4	21.0	-	0.2	48.6
Carrying amount at 1 January 2023	27.4	21.0	-	0.2	48.6
Additions	3.1	5.0	-	2.7	10.8
Acquisition through business combination (Note 32.5)	2.4	-	-	-	2.4
Foreign currency exchange difference	0.7	-	-	-	0.7
Remeasurement of right-of-use assets (Note 13.2)	(7.1)	0.3	-	-	(6.8)
Depreciation	(0.7)	(4.7)	-	(0.4)	(5.8)
Carrying amount	25.8	21.6	-	2.5	49.9
31 December 2023					
Acquisition cost	28.4	33.6	-	3.4	65.4
Accumulated depreciation	(2.6)	(12.0)	-	(0.9)	(15.5)
Carrying amount	25.8	21.6	-	2.5	49.9

The Group's major lease contracts are for land and buildings. As at 31 December 2023, the carrying amount of land lease liability amounted to EUR 24.3 million, building lease liability – EUR 22.4 million (31 December 2022: EUR 26.9 million and EUR 17.7 million respectively). The remaining lease term of major land lease contracts at 31 December 2023 is between 14–33 years and 34–73 years. The largest lease contract for buildings is a lease of the main office located in Vilnius, as at 31 December 2023 the carrying amount of this lease liability amounted to EUR 17.1 million (31 December 2022: EUR 15.5 million), the remaining lease term of this contract as at 31 December 2023 is 8 years, the lease payments each year are indexed by inflation rate.

Some of the land lease contracts provide additional rent payments that are based on the level of sales by the lessee. The difference between the fixed payment and the variable payment is recognised in the Statement of profit or loss (Note 13.3). Also, some of the land lease contracts provide payments to landowners indexed by the inflation rate each year, therefore, the Group performs remeasurement of the lease liability and right-of-use assets at the same time when the new inflation index is applied for factual payments.

During the year 2023 and 2022, the Group capitalised an insignificant amount of lease interest expenses on property, plant and equipment construction in progress.

13.2 Remeasurement of lease liability and right-of-use assets

The Group reassessed the right-of-use assets and the lease liability to reflect the lease modification and the remeasurement of the lease liability due to the change in the lease term.

The Group remeasured the land lease liability and, respectively, the right-of-use assets to reflect the changes in the assessment of the lease term. In the year 2022, at the initial recognition date a lease term was determined as a non-cancellable period, which includes the period during which the Group has a control over the contingency of the contract termination option. The termination option was assessed considering the likelihood of the triggering event occurring when determining the non-cancellable period at the commencement date. In the year 2023, the management of the Group has assessed the variability in the date of the triggering event and determined that as at 31 December 2023 the variability is not resolved and, therefore, measured the lease liability as zero. The triggering event is the obtaining of the necessary permissions and the capacity of conductivity in the electricity grid for the construction of renewable energy generating plants. The triggering event is planned to occur in 2024. The management has no intentions to cancel these land lease contracts.

The Group reduced the carrying amounts of the right-of-use assets and the lease liability for the amounts of EUR 7.1 million and EUR 7.0 million respectively. The remaining amount of the remeasurement amounted to EUR 0.1 million and was recognised in the Statement of profit or loss in line item 'Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets'.

13.3 Expenses related to lease agreements recognised in Statement of profit or loss

The Group's lease expenses recognised in Statement of profit or loss were as follows:

EURm	2023	2022
Depreciation	5.8	5.3
Interest expenses	1.2	1.2
Expenses related to short-term leases (other expenses)	0.3	0.2
Expenses related to leases of low value assets (other expenses)	0.1	0.1
Variable lease payment expenses	0.3	0.5
Lease remeasurement result (Lease modification gain (-)/loss (+))	0.7	-
Other rent expenses	0.4	0.1
Lease expenses, total	8.8	7.4

13.4 Future expenses related to lease agreements

The Group's future lease expenses:

EURm	31 December 2023	31 December 2022
Future expenses related to short-term and low value leases	0.1	0.8
Future variable lease payments	7.2	15.0
Future cash outflow for leases not recognised due to termination option	245.0	-
Future cash outflow for leases not yet commenced to which the lessee is committed	0.2	-
Future lease expenses, total	252.5	15.8

14 Non-current receivables

EURm	31 December 2023	31 December 2022
Loans granted (Note 36.2)	55.9	-
Cash reserved for guarantees	10.1	19.0
Finance lease	7.2	6.3
Other non-current amounts receivable	3.1	3.6
Total:	76.3	28.9
Less: loss allowance	-	-
Carrying amount	76.3	28.9

Financial assets comprise EUR 69.1 million from total non-current receivables (31 December 2022: EUR 22.6 million).

15 Other financial assets

EURm	31 December 2023	31 December 2022
Other non-current financial assets		
Investment funds - at FVTPL	32.0	20.6
Equity securities - at FVOCI	5.0	5.0
Carrying amount	37.0	25.6
Other current financial assets		
Short-term deposits	110.4	-
Carrying amount	110.4	-

15.1 Movement of fair value in investment funds

EURm	31 December 2023	31 December 2022
Carrying amount	20.6	25.1
Additional investments (Smart Energy Fund)	0.3	1.7
Additional investments (World fund)	10.0	-
Return from investments (Smart Energy Fund)	(15.6)	-
Change in fair value (World Fund)	(0.4)	-
Change in fair value (Smart Energy Fund)	17.1	(6.2)
Carrying amount	32.0	20.6

15.2 Equity securities – at FVOCI

On 14 September 2020, the Group's subsidiary UAB "Ignitis renewables" acquired 5% of Moray West Holdings Limited shares for an amount of GBP 50. After specific conditions were met, the Group paid an additional EUR 5.0 million contribution for the shares held.

15.3 Significant accounting estimates: Investment funds – at FVTPL

The Group has invested into investment funds. The funds are managed by independent entities (managers), which are responsible for the investment decisions. Accordingly, in the Group management's view, the Group does not have the power to manage the activities of the funds and does not have the control over them.

As at 31 December 2023, the carrying value of the Smart Energy Fund amounted to EUR 22.4 million, the carrying value of the World Fund amounted to EUR 9.6 million.

The fair value of the funds was determined by reference to the exits of investments, new investment rounds or other recent events and data (Note 37).

Fair value of the funds corresponds to Level 3 in the fair value hierarchy.

16 Other assets

16.1 Other non-current assets

EURm	31 December 2023	31 December 2022
Derivatives (Note 31.1)	2.6	24.4
Other non-current assets	0.9	0.4
Carrying amount	3.5	24.8

16.2 Other current assets

EURm	31 December 2023	31 December 2022
Deposits related to guarantee independent electricity suppliers activity	11.3	8.9
Derivatives (Note 31.1)	8.9	44.2
Deposit related to buyout of shares in subsidiaries	3.5	3.7
Cash reserved for guarantees	0.3	0.1
Carrying amount	24.0	56.9

17 Inventories

EURm	31 December 2023	31 December 2022
Natural gas	231.9	514.9
Emission allowances	27.0	33.6
Consumables, raw materials and spare parts	12.8	16.4
Other	3.1	5.5
Carrying amount	274.8	570.4

The carrying amount of natural gas decreased during 2023 due to lower inventory quantity and lower inventory cost per MWh.

The Group's inventories expensed were as follows:

EURm	2023	2022
Natural gas	918.4	1,373.4
Biofuel	8.8	3.4
Other inventories	3.6	1.9
Total	930.8	1,378.7

Movements on the account of inventory write-down to net realisable value were as follows:

EURm	2023	2022
Carrying amount at 1 January	106.0	3.2
Additional write-down to net realisable value	2.3	103.0
Reversal of write-down to net realisable value	(90.9)	(0.2)
Carrying amount at 31 December	17.4	106.0

In 2023, the reversal of write-down to net realisable value was made because gas purchased in 2023 was purchased at lower prices, and at the end of the year the difference between the cost of inventory and the market prices was substantially lower. The quantity of gas in the inventory was also reduced during 2023.

The write-down is included in 'Purchase of electricity, natural gas and other services' in the Statement of profit or loss.

18 Prepayments and deferred expenses

EURm	31 December 2023	31 December 2022
Deferred expenses	5.0	9.2
Prepayments for other goods and services	4.7	1.8
Prepayments for natural gas	3.0	84.3
Prepayments for emission allowance related derivatives	0.8	-
Other prepayments	0.9	0.5
Carrying amount	14.4	95.8

19 Contract balances

EURm	Note	31 December 2023	31 December 2022
Trade receivables	20	265.9	424.4
Accrued revenue from electricity related sales	21	9.5	18.2
Accrued revenue from gas related sales	21	6.9	7.7
Other accrued revenue	21	7.2	6.6
Contract assets		23.6	32.5
Advances received	27.2	61.3	60.7
Deferred income	27.1	276.8	320.3
Contract liabilities		338.1	381.0
Non-current contract liabilities	27.1	241.6	205.5
Current contract liabilities	27.1, 27.2	96.5	175.5

19.1 Contract assets

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under the contracts. Recognised expected credit losses (if any) are disclosed in the Notes 20–21.

19.2 Remaining performance obligations

The remaining performance obligations expected to be recognised after the end of the financial year are related to the deferred income of new customer connection and upgrade fees, over-declaration of electricity and gas supply and gas sales. The maturity of the remaining performance obligations is as follows:

EURm	31 December 2023	31 December 2022
After more than one year	241.6	205.5
Within one year	35.2	114.8
Remaining performance obligations	276.8	320.3

20 Trade receivables

EURm	31 December 2023	31 December 2022
Amounts receivable under contracts with customers		
Receivables from electricity related sales	168.1	272.8
Receivables from gas related sales	91.3	143.1
Other trade receivables	18.5	20.6
Total	277.9	436.5
Less: loss allowance	(12.0)	(12.1)
Carrying amount	265.9	424.4

As at 31 December 2023 and 2022, the Group had not pledged the claim rights to trade receivables.

No interest is charged on trade receivables and the regular settlement period is between 15 and 30 days. Trade receivables for which the settlement period is more than 30 days comprise insignificant part of total trade receivables. The Group doesn't provide the settlement period longer than 1 year. The Group didn't identify any financing components. For terms and conditions on settlements between related parties, see Note 35.

20.1 Loss allowance of amounts receivable (lifetime expected credit losses)

The Group's trade receivables from Networks and Customers & Solutions segments are usually assessed on a collective basis, and trade receivables in other segments – on an individual basis.

The table below presents information on the Group's trade receivables under contracts with customers as at 31 December 2023 that are assessed on a collective basis using the loss ratio matrix:

EURm	Loss ratio, %	Trade receivables	Loss allowance
Not past due	0.41	195.0	0.8
Up to 30 days	1.04	9.6	0.1
30–60 days	4.17	2.4	0.1
60–90 days	8.33	1.2	0.1
90–120 days	14.29	0.7	0.1
More than 120 days	61.27	17.3	10.6
As at 31 December 2023	5.22	226.2	11.8

The table below presents information on the Group's trade receivables under contracts with customers as at 31 December 2022 that are assessed on a collective basis using the loss ratio matrix:

EURm	Loss ratio, %	Trade receivables	Loss allowance
Not past due	0.65	338.1	2.2
Up to 30 days	1.40	21.4	0.3
30–60 days	8.82	3.4	0.3
60–90 days	12.00	2.5	0.3
90–120 days	15.38	2.6	0.4
More than 120 days	69.17	12.0	8.3
As at 31 December 2022	3.11	380.0	11.8

The table below presents information on the Group's trade receivables under contracts with customers that are assessed on an individual basis:

EURm	31 December 2023		31 December 2022	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not past due	42.2	-	53.3	-
Up to 30 days	8.8	-	2.6	-
30–60 days	0.3	-	0.1	-
60–90 days	0.1	-	0.1	-
90–120 days	0.1	-	0.1	-
More than 120 days	0.2	0.2	0.3	0.3
Carrying amount	51.7	0.2	56.5	0.3

Movements in the account of loss allowance of trade receivables:

EURm	2023	2022
Carrying amount as at 1 January	12.1	9.9
Impairment loss of the year	5.1	2.6
Reversal of loss allowance	(5.2)	(0.4)
Carrying amount at 31 December	12.0	12.1

Impairment loss of receivables was recognised in line item 'Other expenses' in the Statement of profit or loss.

20.2 Significant accounting estimates and judgements

20.2.1 Expected credit losses of trade receivables and other receivables

The Group's uses a provision matrix to calculate the expected credit losses for trade receivables. The Group accounts for the expected credit losses (hereinafter referred to as 'ECL') by assessing the amounts receivable on an individual basis or on a collective basis and applying the provision matrixes adopted by the Group companies in respect of their customers.

ECL for other receivables and contract assets are calculated using an individual assessment.

For short-term trade receivables without a significant financing component, the Group applies a simplified approach required by IFRS 9 and measures the loss allowance at the expected lifetime credit losses from the initial recognition of the receivables.

20.2.2 Collective assessment of ECL applying provision matrix

The Group companies use provision matrixes to calculate the ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrixes are initially based on the Group companies' historical observed default rates. The Group companies calibrate the matrixes to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., changes in gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between the observed historical default rates, the forecast economic conditions and the ECL is a significant estimate. The amount of the ECL is sensitive to the changes in circumstances and the forecast of economic conditions. The Group's historical credit loss experience and the forecast of economic conditions may also not be representative of the customer's actual default in the future.

20.2.3 Individual assessment of ECL

Decision to assess the amounts receivable on an individual basis depends on the possibility to obtain the information on the credit history of a particular client/borrower, its financial position as at the date of the assessment, including the forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular client, thus enabling to make a judgement on the recognition of the lifetime ECL in respect of that particular client/borrower. These accounting estimates require significant judgement. The judgement is based on the information about substantial financial difficulties experienced by the debtor, the probability that the debtor will enter bankruptcy or any other reorganisation, default of delinquency in payments.

In the absence of reliable sources of information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information, the Group assesses its debt on a collective basis.

21 Other receivables

EURm	31 December 2023	31 December 2022
Deposits for electricity related derivatives in electricity market	38.5	74.5
Value added tax	27.6	14.1
Deposits for gas related derivatives to commodity traders	10.7	25.0
Accrued revenue from electricity related sales	9.5	18,2
Other accrued revenue	7.2	6.6
Accrued revenue from natural gas related sales	6.9	7.7
Loans granted	0.2	24.2
Other receivables	25.7	9.8
Total	126.3	180.1
Less: loss allowance	(0.3)	(0.4)
Carrying amount	126.0	179.7

Financial assets comprise EUR 72.6 million from total Other receivables (31 December 2022: EUR 131.2 million).

21.1 Deposits for electricity and gas related derivatives

The Group has made deposits for derivative instruments as assurance of contractual obligations with the commodities exchange and commodity traders for trading derivatives linked to electricity and gas market prices. Deposits are in a form of cash collateral and the value moves on a daily basis, i.e., depends on the market prices. The Group estimates that the whole amount of cash collateral will be recovered because the amounts payable are related to the realisation of the future hedge and the sales contracts will be realised together with the hedge, thus invoices for derivative instruments will be covered with the sales income and, after this payment, the cash collateral will be returned.

21.2 Loans granted

During 2023, a loan granted to Moray West Holdings Limited was reclassified from 'Other receivables' to 'Non-current receivables' in the Statement of financial position as the loan's repayment was extended till 1 July 2025.

21.3 Significant accounting estimates and judgements: expected credit losses of other receivables

ECL for other receivables and contract assets are calculated using an individual assessment.

21.3.1 Individual assessment of ECL

Decision to assess the amounts receivable on an individual basis depends on the possibility to obtain the information on the credit history of a particular client/borrower, its financial position as at the date of assessment, including forward-looking information, that would allow to timely determine whether there has been a significant increase in the credit risk of that particular client, thus enabling to make a judgement on the recognition of the lifetime expected credit losses in respect of that particular client/borrower. These accounting estimates require significant judgement. The judgement is based on the information about the substantial financial difficulties experienced by the debtor, the probability that the debtor will enter bankruptcy or any other reorganisation, default of delinquency in payments.

In the absence of reliable sources of information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information, the Group assesses the debt on a collective basis.

22 Cash and cash equivalents

EURm	31 December 2023	31 December 2022
Cash balances in bank accounts	204.8	694.1
Restricted cash	0.5	-
Carrying amount	205.3	694.1

Under the loan agreements signed with the banks, the Group has pledged a part of the current and future cash inflows. As at 31 December 2023, the balance of cash pledged amounted to EUR 26.2 million (31 December 2022: EUR 32.8 million).

22.1 Significant accounting estimates and judgements

22.1.1 Collection of cash on a suspense account

The Group (the Group's subsidiary UAB Elektroninių mokėjimų agentūra) made a significant decision regarding the cash amounts collected from customers. These cash amounts are held in the Group's collection, distribution and storage accounts before transferring them to the customers' service providers. These cash amounts are held in separate bank accounts, their purpose is clearly defined in agreements with the banks. Moreover, the Group is not allowed to invest these cash amounts and thus does not receive any interest or similar income. The principle of such cash holding and handling is disclosed to the Group's customers and the Group is able to identify the owners of these cash amounts at any time. For the reasons mentioned above, the Group assesses that the risk related to the cases of banks bankrupting and the related possible intentions, when customers could sue the Group for these cash amounts, is low. Therefore, it is considered that Group does not have a credit risk. Therefore, the Group does not recognise customers' cash amounts in the Statement of financial position. Customers' funds held in collection, distribution and storage accounts amounted to EUR 9.3 million as at 31 December 2023 (EUR 9.3 million as at 31 December 2022).

22.1.2 Separation of the Group's B2C and B2B consumer funds

The Group (the Group's subsidiary AB "Energijos skirstymo operatorius") made a significant decision regarding the funds administered by the state budget for December 2023 for the partial compensation of domestic and non-domestic consumers, which are held in the Group's billing accounts. The funds intended for the partial compensation of consumers are transferred to separate settlement accounts specially designated for this purpose, the purpose of which is clearly defined in the agreements on the use of state budget funds concluded with the Ministry of Finance of the Republic of Lithuania. The Group cannot dispose of these funds, does not invest them and does not receive any interest or other income from them. It should be noted that the Group's credit risk is related to the execution of these contracts, and the payment of state budget funds to the compensation recipients is minimal, since the Group is not responsible for the misuse of the funds paid out to the specified entities as partial compensation and does not assume potential credit losses. For this reason, the Group does not recognise this money in the Statement of financial position. The balance of the administered state budget funds in the accounts in as at 31 December 2023 amounted to EUR 11.8 million (31 December 2022: EUR 130.2 million). These funds were paid out to the recipients and/or returned to the Ministry of Finance of the Republic of Lithuania in January 2024.

23 Equity

23.1 Capital management

For the purpose of capital management, the management uses equity as reported in the Statement of financial position.

Pursuant to the Republic of Lithuania Law on Companies, the share capital of a public limited liability company must be not less than EUR 25 thousand, the share capital of a private limited liability company must not be less than EUR 2.5 thousand, and the shareholders' equity must be not lower than 50% of the company's share capital. Foreign subsidiaries are subject for compliance with capital requirements according to the regulation adopted in those foreign countries.

23.2 Share capital

The Group's share structure and shareholders were as follows:

Shareholder of the Group	31 December 2023		31 December 2022	
	Share capital, in EURm	%	Share capital, in EURm	%
Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania	1,212.1	74.99	1,212.1	74.99
Other shareholders	404.3	25.01	404.3	25.01
Total	1,616.4		1,616.4	

As at 31 December 2023, the Group's share capital comprised EUR 1,616.4 million (31 December 2022: 1,616.4 million) and was divided into 72,388,960 ordinary shares with a EUR 22.33 nominal value per share (31 December 2022: 72,388,960 ordinary registered shares with a EUR 22.33 nominal value per share).

Reconciliation of the number of shares at the beginning and at the end of the year:

	2023	2022
Number of authorised shares as at 1 January	72,388,960	74,283,757
Reduction of ordinary shares (Note 23.4)	-	(1,894,797)
Number of authorised shares as at 31 December	72,388,960	72,388,960

23.3 Treasury shares

The Group on 19–27 April 2022 has conducted an acquisition of the parent company's ordinary registered shares (hereinafter – ORS or treasury shares) through the auction for tender offers of AB "Nasdaq Vilnius" stock exchange, with SEB bankas, AB acting as an intermediary. The treasury shares were acquired by the Group on 29 April 2022, when the right of ownership was transferred to the Group. The share purchase price was EUR 15.30 per share, the number of shares acquired was 651,554 and the total value of treasury shares acquired was EUR 10.0 million. Afterwards, a fee for stabilisation related services to the stabilisation manager, Swedbank AB, was paid for an amount of EUR 4.3 million, which was recognised in retained earnings. As the price at which the stabilised securities were sold through the above-mentioned public tender offer was lower than the price at which the stabilised securities were purchased, the parent company has paid the difference to the stabilisation manager. In 2022 the Group has annulled the treasury shares acquired in 2022 (Note 23.4).

23.4 Share capital reduction

On 9 August 2022, the Group's share capital was reduced by annulling the ORS acquired by the Group in relation to the stabilisation that occurred after the initial public offering (hereinafter – IPO) of 5 October 2020. During the reduction of the Group's share capital, 1,894,797 units of the Group's ORS with a nominal value of EUR 22.33 each, which were acquired by the Group itself, were annulled. The total nominal value of the annulled ORS is EUR 42.4 million. Accordingly, the Group's share capital decreased from EUR 1,658.8 million to EUR 1,616.4 million and the total number of ORS decreased from 74,283,757 units to 72,388,960 units.

Due to the reduction in the Group's share capital, the free float of ORS decreased to 25.01% (from 26.92% at the time of the Group's IPO). The share of securities held by each shareholder has also increased proportionally, including that of the majority shareholder (implementing the shareholder's, the Republic of Lithuania, will, i.e., the Ministry of Finance of the Republic of Lithuania) whose securities portfolio amounts to 74.99% (increased from 73.08%).

23.5 Dividends

Dividends declared by the parent company during the year:

EURm	2023	2022
AB "Ignitis grupė"	91.7	89.0

In total the Group paid EUR 91.7 million dividends in cash during 2023 (EUR 89.0 million during 2022).

Dividends declared per share:

Declared on, EURm	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared
September 2023	2023 I half-year	0.643	46.5
March 2023	2022 II half-year	0.624	45.2
Total declared during 2023		1.267	91.7
September 2022	2022 I half-year	0.624	45.2
March 2022	2021 II half-year	0.600	43.8
Total declared during 2022		1.224	89.0

23.6 Dividends declared to non-controlling interest

The Group uses the anticipated-acquisition method for recognising the put option redemption liability because, under the anticipated-acquisition method, the interests of the non-controlling shareholders are derecognised when the financial liability is recognised, therefore, the underlying interests are presented as already owned by the equity holders of the parent company both in the Statement of financial position and in the Statement of profit or loss and other comprehensive income, even though legally they are still the non-controlling interest.

Due to the above, during 2023 dividends declared by the Group's subsidiary UAB Kauno kogeneracinė jėgainė for the non-controlling interest EUR 14.3 million (no dividends declared for 2022) were presented as dividends to the non-controlling interest.

23.7 Earnings per share

The Group's earnings per share and diluted earnings per share were as follows:

EURm	2023	2022
Net profit for the year	320.2	293.4
Attributable to:		
Shareholders in AB "Ignitis grupė"	320.2	293.4
Non-controlling interests	-	-
Weighted average number of nominal shares (units)	72,388,960	72,599,599
Basic and diluted earnings/(loss) per share attributable to shareholders in AB "Ignitis grupė" (EUR)	4.42	4.04

Basic and diluted earnings per share indicators have been calculated based on 72,388,960, the weighted average number of ordinary shares as at 31 December 2023 (31 December 2022: 72,599,599) as AB "Ignitis grupė" reacquired its own ordinary shares (treasury shares) as at 29 April 2022. The treasury shares are not regarded as outstanding, thus were excluded from the outstanding shares count at the period for which they were held by AB "Ignitis grupė". On 9 August 2022, the Group has reduced its share capital by annulling the acquired treasury shares (Note 23.4).

24 Reserves

24.1 Legal reserve

The legal reserve is a compulsory reserve under the Lithuanian legislation. Companies in Lithuania are required to transfer 5% of the net profit from their distributable profit until the total reserve reaches 10% of their share capital. The legal reserve shall not be used for payment of dividends and is formed to cover the future losses only.

The Group's legal reserve as at 31 December 2023 and 2022 was not fully formed.

24.2 Revaluation reserve

The revaluation reserve arises from the revaluation of property, plant and equipment due to the increase in value. The revaluation cannot be used to cover losses (Note 10).

24.3 Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss.

24.4 Treasury shares reserve

At the ordinary general meeting of shareholders held on 29 March 2022 it was decided to form an additional reserve of EUR 14.7 million for the acquisition of treasury shares in 2022. The treasury shares reserve as at 31 December 2023 amounted to EUR 37.7 million (31 December 2022: EUR 37.7 million). The treasury shares reserve can be dissolved only by the decision of the Annual General Meeting of Shareholders.

24.5 Other reserves

Other reserves are formed based on the decision of the shareholders and can be redistributed on the appropriation of the next year's profit.

As at 31 December 2023, the Group accounted for the result of the translation of the Group's net investments in Poland-based companies indirectly controlled by the Group (Ignitis Polska Sp. Z o. o., Ignitis Renewables Polska Sp. Z o.o., Pomerania Wind Farm Sp. z o.o., Silezia1 Wind Farm Sp. z o.o., Silesia2 Wind Farm S.A. and Ignitis Res DEV Sp. z o.o.) in the amount of EUR 19.9 million into the Group's presentation currency within the item of other reserves (31 December 2022: EUR 4.8 million). No other reserves were formed by the Group as at 31 December 2023 and 2022.

25 Financing

25.1 Loans and bonds

EURm	31 December 2023	31 December 2022
Non-current		
Bonds issued	891.8	890.1
Bank loans	629.4	533.2
Current		
Current portion of non-current loans	51.9	36.1
Bank overdrafts	12.6	172.9
Total	1,585.7	1,632.3

Loans and bonds by maturity:

EURm	31 December 2023	31 December 2022
Up to 1 year	64.5	209.0
From 1 to 2 years	114.9	177.0
From 2 to 5 years	734.2	376.6
After 5 years	672.1	869.7
Total	1,585.7	1,632.3

Loans of the Group are denominated in euros or Polish zlotys, bonds – in euros.

25.1.1 Covenants

The loan agreements provide for financial and non-financial covenants that the individual Group entities and the Group as whole are obliged to comply with. All Group companies and the Group as whole complied with the covenants as at 31 December 2023 and 2022.

25.2 Net Debt

Net Debt is a non-IFRS liquidity metric used to determine the value of debt against highly liquid assets owned by the Group. The management is monitoring the Net Debt metric as a part of its risk management strategy. Only the debts to financial institutions, issued bonds and related interest payables and lease liabilities are included in the Net Debt calculation. The management defines the Net Debt measure for the purpose of these financial statements in the manner as presented below:

Net Debt balances:

EURm	31 December 2023	31 December 2022
Cash and cash equivalents	(205.3)	(694.1)
Short term deposits	(110.4)	-
Non-current loans and bonds	1,521.2	1,423.3
Current portion of non-current loans	51.9	36.1
Bank overdrafts	12.6	172.9
Lease liabilities	47.5	48.7
Net Debt	1,317.5	986.9

25.2.1 Liquidity reserve

The Group manages liquidity risks by entering in credit line, overdraft agreements with banks. As of 31 December 2023, there were six credit line facilities available in six separate banks with a total limit of EUR 645.0 million. The disbursed amount was EUR 87.4 million. The credit line facilities are committed, i.e., the funds must be paid by the bank upon request.

EURm	31 December 2023	31 December 2022
Credit line agreements	270.1	195.0
Overdraft agreements	287.5	201.1
Total unwithdrawn balances	557.6	396.1
Cash balances in bank accounts	204.8	694.1
Restricted cash	0.5	-
Total cash and cash equivalents	205.3	694.1
Short-term deposits	110.4	-
Total short-term deposits	110.4	-
Total liquidity reserve	873.3	1,090.2

25.2.2 Reconciliation of the Group's Net Debt balances and cash flows from financing activities

	Loans and bonds		Lease liabilities		Assets		
EURm	Non-current	Current	Non-current	Current	Cash and cash equivalents	Short-term deposits	Total
Net Debt at 1 January 2022	1,118.1	237.3	46.3	4.7	(449.1)	-	957.3
Cash changes							
(Increase) decrease in cash and cash equivalents	-	-	-	-	(245.0)	-	(245.0)
Loans received	223.0	-	-	-	-	-	223.0
Repayments of loans	-	(119.7)	-	-	-	-	(119.7)
Lease payments	-	-	-	(5.1)	-	-	(5.1)
Interest paid	-	(27.9)	-	(0.9)	-	-	(28.8)
Overdrafts net change	-	172.9	-	-	-	-	172.9
Non-cash changes					-	-	
Lease contracts concluded	-	-	1.4	0.4	-	-	1.8
Accrual of interest payable	1.6	28.4	-	1.2	-	-	31.2
Lease liabilities written-off	-	-	-	(0.1)	-	-	(0.1)
Remeasurement of lease liabilities	-	-	(4.3)	(0.3)	-	-	(4.6)
Reclassifications between items	82.0	(82.0)	(3.5)	3.5	-	-	-
Assumed through business combination	-	-	5.2	-	-	-	5.2
Change in foreign currency	(1.4)	-	-	0.2	-	-	(1.2)
Net Debt at 31 December 2022	1,423.3	209.0	45.1	3.6	(694.1)	-	986.9
Net Debt at 1 January 2023	1,423.3	209.0	45.1	3.6	(694.1)	-	986.9
Cash changes							
(Increase) decrease in cash and cash equivalents	-	-	-	-	375.1	-	375.1
Loans received	285.9	-	-	-	-	-	285.9
Repayments of loans	(152.1)	(28.6)	-	-	-	-	(180.7)
Lease payments	-	-	-	(5.7)	-	-	(5.7)
Interest paid	-	(37.9)	-	(1.1)	-	-	(39.0)
Overdrafts net change	-	(160.4)	-	-	-	-	(160.4)
Assumed through business combination (Note 32.5)	-	-	-	-	4.7	-	4.7
Reclassifications between items	-	-	-	-	109.0	(109.0)	-
Non-cash changes							
Lease contracts concluded	-	-	8.2	1.0	-	-	9.2
Accrual of interest receivable	-	-	-	-	-	(1.4)	(1.4)
Accrual of interest payable	1.7	37.9	-	1.2	-	-	40.8
Remeasurement of lease liabilities	-	-	(7.4)	0.4	-	-	(7.0)
Reclassifications between items	(43.9)	43.9	(5.6)	5.6	-	-	-
Assumed through business combination (Note 32.5)	0.4	-	2.2	0.2	-	-	2.8
Other non-monetary changes	-	0.2	-	-	-	-	0.2
Change in foreign currency	5.9	0.4	(0.2)	-	-	-	6.1
Net Debt at 31 December 2023	1,521.2	64.5	42.3	5.2	(205.3)	(110.4)	1,317.5

25.3 Significant accounting estimates and judgements

25.3.1 Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all the relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for leases of shorter non-cancellable period (i.e., one to three, three to five, five to seven years, etc.). The Group usually exercises its option to renew for these leases. Lease of the state-owned land is not subject to an extension clause after which the lessee has a pre-emptive right to extend the lease. The periods covered by the termination options are included as part of the lease term only when they are reasonably certain to be exercised.

25.3.2 Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (hereinafter 'IBR') to measure the lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain the asset of a similar value to the right-of-use asset in a similar economic environment.

The major lease contracts that were recognised during 2023 by the Group are for land and buildings. The Group also assumed liabilities of lease contracts through business combination (Note 32.5.1). To measure the lease liability of those contracts, the following incremental borrowing rate was used:

	Incremental borrowing rate, %
Land lease agreements (including agreements acquired through business combination)	7.32
Buildings lease agreements	4.19–5.82

25.3.3 Determining whether statutory and contractual servitudes are a lease

The management of the Group analysed whether perpetual statutory and contractual servitudes are in scope of IFRS 16 Leases. The management concluded that the statutory servitudes are not in scope since they are not limited in time and can be used by the Group for an indefinite period of time. Perpetual arrangement lacks an essential characteristic of a lease, i.e., it does not meet the definition of a lease because it does not convey a right to use an underlying asset for a specified period of time. Having analysed the contractual servitudes, the management concluded that part of them share the same characteristics as the statutory ones, and thus do not convey a right to use an underlying asset for a specified period of time.

For contractual servitudes with a clear term, or when the term can be reliably determined, or when the term is renewable on a period-by-period basis, IFRS 16 Leases is applied when all other criteria are met listed in IFRS16.

26 Grants and subsidies

EURm	Asset-related grants - projects for renovation, improvement of environmental and safety standards	Asset-related grants - other projects of the Group	Total
Carrying amount as at 1 January 2022	161.9	117.2	279.1
Depreciation and amortisation	(3.7)	(7.6)	(11.3)
Grants received	29.0	-	29.0
Carrying amount as at 31 December 2022	187.2	109.6	296.8
Carrying amount as at 1 January 2023	187.2	109.6	296.8
Depreciation and amortisation	(5.0)	(7.6)	(12.6)
Grants received	15.9	-	15.9
Carrying amount as at 31 December 2023	198.1	102.0	300.1

Amortisation of grants is accounted for under depreciation and amortisation in the Statement of profit or loss and reduces the depreciation expenses of the related property, plant and equipment.

27 Deferred income and advances received

27.1 Deferred income

EURm	2023 Current portion	2023 Non-current portion	2023 Total	2022 Current portion	2022 Non-current portion	2022 Total
Deferred income under contracts with customers						
Deferred income related to new customers connection and upgrade fees	12.1	241.6	253.7	10.5	205.5	216.0
Deferred income related to gas	23.1	-	23.1	61.1	-	61.1
Deferred income related to gas over declaration	-	-	-	33.7	-	33.7
Deferred income related to electricity over declaration	-	-	-	9.5	-	9.5
Total	35.2	241.6	276.8	114.8	205.5	320.3

Movement in the Group's deferred income:

EURm	2023 Current portion	2023 Non-current portion	2023 Total	2022 Current portion	2022 Non-current portion	2022 Total
Balance as at 1 January	114.8	205.5	320.3	18.0	183.6	201.6
Increase during the year	1.7	46.7	48.4	105.5	31.1	136.6
Recognised as revenue	(91.9)	-	(91.9)	(17.9)	-	(17.9)
Reclassifications between items	10.6	(10.6)	-	9.2	(9.2)	-
Balance as at 31 December	35.2	241.6	276.8	114.8	205.5	320.3

Revenue from new customer connection and upgrade fees is recognised over the average useful life of related items of property, plant and equipment (Material accounting policies, Note 1.4.1.3).

27.2 Advances received

EURm	31 December 2023	31 December 2022
Current prepayments under contracts with customers (contract liabilities)	61.3	60.7
Current prepayments under other contracts	0.5	0.9
Total	61.8	61.6

28 Provisions

EURm	31 December 2023	31 December 2022
Non-current	60.7	17.6
Current	27.6	38.0
Total	88.3	55.6

Movement of the Group's provisions was as follows:

EURm	Emission allowance	Employee benefits	Servitudes (Note 28.2.1)	Regulatory difference of isolated power system operations and system services (Note 34.2.1.1)	Regulatory differences of public electricity supply activity (Note 34.2.1.2)	Other	Total
Balance as at 1 January 2022	12.2	5.6	14.4	22.3	-	17.2	71.7
Increase during the year	11.0	1.2	-	2.4	20.3	3.2	38.1
Utilised during the year	(12.2)	(0.3)	-	(19.4)	-	(6.1)	(38.0)
Result of change in assumptions	-	(0.4)	(6.2)	-	-	(4.4)	(11.0)
Discount effect	-	-	-	0.1	-	(0.3)	(0.2)
Reclassification to "Other current liabilities"	-	-	-	-	-	(5.0)	(5.0)
Balance as at 31 December 2022	11.0	6.1	8.2	5.4	20.3	4.6	55.6
Balance as at 1 January 2023	11.0	6.1	8.2	5.4	20.3	4.6	55.6
Increase during the year	8.8	1.4	-	48.5	10.9	4.1	73.7
Utilised during the year	(11.0)	(0.1)	-	(9.8)	(18.1)	(0.6)	(39.6)
Result of change in assumptions	-	(1.4)	(2.7)	-	-	-	(4.1)
Discount effect	-	-	-	2.2	-	0.2	2.4
Foreign currency exchange difference	-	-	-	-	-	0.3	0.3
Balance as at 31 December 2023	8.8	6.0	5.5	46.3	13.1	8.6	88.3
Non-current	-	4.9	4.7	46.3	-	4.8	60.7
Current	8.8	1.1	0.8	-	13.1	3.8	27.6

The total change in the provisions in 2023 was EUR 32.7 million. The change recognised in the Statement of profit or loss was EUR 36.0 million, capitalised to Right-of-use assets was EUR 1.5 million, recognised in the Statement of other comprehensive income was EUR -1.5 million and recognised in the Intangible assets was EUR -3.3 million (the total change in the provisions in 2022 was EUR -16.1 million. The change recognised in the Statement of profit or loss was EUR -8.1 million, capitalised to Property, plant, and equipment was EUR 3.1 million, recognised in the Statement of other comprehensive income was EUR -0.4 million, recognised in the Intangible assets was EUR -10.7 million).

28.1 Description of Group's provisions and the expected timing of resulting outflows of economic benefits

Provisions for employee benefits include a statutory retirement benefit payable to the Group's employees (Material accounting policies, Note 1.17.3). The period of non-current provision is calculated according to each employee using actuarial assumptions that include the age of employee, mortality probability, index of staff turnover, discount rate (3.37% as at 31 December 2023, 0.55% as at 31 December 2022), long term salary increase rate (5% as at 31 December 2023, 4% as at 31 December 2022).

The provision for servitudes relates to the compensation of easements to third parties when the distribution operator (a Group company) installs electricity networks on land belonging to them. A one-time compensation for the use of statutory easements is paid to compensate for losses when a third party applies the request for compensation. The Group's management estimated that the period during which third parties will apply for compensation is 10 years starting from 2023. An additional 1-year deadline for the payment of compensation from the date of submission of the application was applied (the methodology of servitude related compensations provides two years for the payment from the date of submission of the application, but in fact the Group pays them within one year).

The provision for isolated power system operation and system services relates to regulatory activities that give rise to regulatory differences which are reimbursed during the next years. The regulatory differences and the period of reimbursement is determined and confirmed by NERC. According to the NERC's letter the period of reimbursement is 2024–2025.

The provision for regulatory differences of public electricity supply activity consists of EUR 20.3 million provision related to the regulatory differences of the public electricity supply activity, set-off with the future regulatory differences of the public electricity supply activity, will be made within one year.

28.2 Significant accounting estimates and judgements

28.2.1 Provisions for rights to servitudes

On 1 November 2017 amendments to the Law on Electricity of the Republic of Lithuania entered into force, which provide basis for the reimbursement of easements established during the installation of electricity networks on land plots not belonging to the operator. This law stipulates that when constructing transmission, distribution networks or installing other electrical equipment, one-time compensation for losses will be paid for the establishment of statutory servitudes (which entered into force before 10 July 2004). The servitudes payment methodology came into force in 31 July 2018. Based on this methodology, in 2018, the expected total amount of easement benefits was estimated and accounted for. In making this assessment, a significant assumption was made regarding the number of landowners who will apply for compensation, as the law provides reimbursement payments to those owners who will apply for it.

On 8 July 2020, the Constitutional Court issued a ruling stating that servitudes payment methodology, which was based on the principles of determining the coefficient and the value of a land plot, are against the Constitution and the laws of the Republic of Lithuania (due to the applied 0.1 coefficient and the principle of determining a value of the land plot, where, in the meantime, different principles and a different coefficient were applied to the servitude by contract). In accordance to the ruling, the Methodology was renewed and came into force in 2 March 2022. The methodology is only valid for the future and there is no need to recalculate the previously paid compensation. The Group has assessed the following changes as adjusting events and, as appropriate, the Group has recalculated the provision for servitude benefits using the new coefficient assumptions:

a) the area of land on which electrical installations were installed before 10 March 1990, a coefficient of 0.1 as specified in the methodology shall apply. Such installations account for 88.93% of all installations installed before 10 July 2004. Therefore, a coefficient of 0.1 is applied to 89%of the area when calculating the total value of the payment. An assumption was made that the land with electricity distribution equipment installed before 10 March 1990 was acquired with an already installed network, so the ownership of the land was acquired with already established restrictions to the usage of the land, therefore the value and availability of this land has not changed and the servitudes payment coefficient of 0.1 should be used.
b) the area of land on which electrical installations have been installed after 11 March 1990 and until 10 July 2004, a coefficient of 0.5 shall apply (the amount shall apply to the servitudes determined by contract). Such installations account for 11.07% of all installations installed before 10 July 2004. Therefore, a coefficient of 0.5 is applied to calculate the total value of the payment for 11% of the area.

The Group reviewed other assumptions used in the calculation of the provision, specifically the expected number of applicants, the period over which all benefits will be paid, and the discount rate:

– the discount rate for calculating the provision was selected based on a borrowing rate of 3.93% for similar liabilities (31 December 2022: 1.80%);
– the expected number of applicants was estimated on the basis of available actual historical four-year information. The calculation of the total amount of benefits was based on the percentage of customers who are unlikely to apply for benefits – 81.86% (76.91% used as at 31 December 2022), which is based on the management's assessment and the number of customers actually applying during 2018–2019 and 2022–2023, where, on average, only about 1.42% applied per year (historical data of 2021 and 2020 is not included in the methodology calculations due to the break of methodology, as described above, which would distort the total average);
– the period during which customers will apply for compensation has been set to 10 years starting in 2022. An additional 1-year deadline for the payment of compensation from the date of submission of the application was applied (the methodology of servitude-related compensations provides two years for the payment from the date of submission of the application, but in fact the Group pays them within one year).

After assessing the changed circumstances, the Group decided to adjust the provision, decreasing the amount of the provision from EUR 8.2 million to EUR 5.5 million. In the part of intangible assets, this provision decreased from EUR 8.1 million down to EUR 5.5 million (Note 11.4).

It should be noted that the value of the provision may vary depending on the number of applicants. The sensitivity analysis is as follows:

31 December 2023	Number of applicants, %							
	25%	35%	45%	55%	65%	75%	85%	95%
Change in provision for compensations of servitudes, million EUR	+3.5	+8.3	+13.0	+17.8	+22.6	+27.4	+32.1	+36.9

28.2.2 Provision for servitudes of real estate

On 8 July 2020 the Constitutional Court issued a ruling stating that servitudes payment methodology, which was based on the principles of determining the coefficient and the value of a land plot, are against the Constitution and the laws of the Republic of Lithuania not only for the land plots, but also for real estate (due to the applied 0.1 coefficient, where, in the meantime, different principles and a different coefficient were applied to the servitude by contract). This means that the Group will not be able to examine the requests and apply the methodology in the part in which the conflict of the methodology with the Constitution is recognised until the new provisions are approved according to the provisions of the Government of the Republic of Lithuania's Resolution No. 725 of 25 July 2018 'On the Approval of the Methodology for Determining the Maximum Amount of One-Time Compensation to be Paid for the Use of a Land Easement Established by Law or a Contract for the Benefit of Network Operators' (hereinafter 'the Methodology'). The Methodology was updated in accordance with Constitutional Court's ruling and came into force in 2 March 2022.

As the application of the Methodology was renewed and individuals already applied for servitudes payments of real estate. There were 6 applications during 2023 (11 applications during 2022) in total amount of EUR 4.9 thousand (EUR 14.0 thousand in 2022). The Group made a decision that provision for servitudes of real estate should not be recognised under the following:
(1) it is not possible to determine full area of real estate servitudes. It is required to visit each area after application is received to determine the area of servitude;
(2) the average market values of real estate may not be determined or available for all objects, as the Centre of Registers carries out the valuation of real estate for state purposes (mass valuation) on behalf of the state. Therefore, if the object was not included in the mass valuation list, its value cannot be determined and individual valuation is required.

Accordingly, with the requirements of IAS 37, the said obligation does not qualify for the provision recognition and, therefore, is not recognised in the financial statements as at 31 December 2023. Also, according to historical servitudes payments of real estate, the financial effect may not be significant.

28.2.3 Provision for compensations for the Special Land Use Conditions (Protected Areas)

In addition to the above, the Ministry of Environment has prepared a methodology for the calculation and payment of compensation for the application of special land use conditions in the territories specified in the Law on Special Land Use Conditions of the Republic of Lithuania, established in the public interest, which entered into force on 8 April 2020. In the light of the letter of the Ministry of Energy of the Republic of Lithuania issued on 18 June 2020, the provisions of the Methodology apply to both the existing network and the newly built network. According to the provisions of the Methodology, compensation for protection zones would be paid upon registration of protection zones, i.e., under the simplified procedure, this would happen after 2023, and the amount of compensation is of an evaluative nature, taking into account the main purpose of the plot, the scope of restrictions, the specific losses incurred and / or incurred by the plot owners based on the supporting documents. In view of these Methodological requirements and the data available to the Group, the Group cannot reliably estimate future compensation for registered Special Land Use Conditions (Protected Areas), therefore, in accordance with IAS 37 this liability does not qualify for recognition and is therefore not recognised in the financial statements. In addition, management is not able to provide a quantitative assessment of a possible contingency without having all the necessary information.

29 Trade payables

EURm	31 December 2023	31 December 2022
Amounts payable for gas	131.2	101.4
Amounts payable for electricity	16.1	45.0
Other trade payables	29.9	30.8
Carrying amount	177.2	177.2

30 Other current liabilities

EURm	31 December 2023	31 December 2022
Amounts payable for property, plant and equipment	69.2	55.9
Accrued expenses	56.1	84.7
Put option redemption liability	38.0	38.0
Taxes (other than income tax)	33.5	122.6
Contingent consideration for acquisition of subsidiaries	27.5	6.3
Payroll related liabilities	27.1	21.7
Derivative financial instruments (Note 31)	9.2	14.2
Irrevocable commitment to acquire a minority interest	3.5	3.6
Non-controlling interest dividends	3.3	3.3
Deposits received for derivative financial instruments	-	56.0
Other current liabilities	17.3	17.9
Carrying amount	284.7	424.2

Financial liabilities comprise EUR 130.2 million from total Other current amounts payable and liabilities (31 December 2022: EUR 195.2 million). Accrued expenses, taxes and payroll related liabilities are not *financial liabilities.*

The fair value of put option redemption liability did not change during 2023 (2022: EUR 17.1 million). Change in fair value is presented as "Finance expenses" in Statement of profit or loss. According to the shareholders agreement, the exercise price of the put option changed from amounts invested to market value since the lock-up period expired. Therefore, at 31 December 2023 this financial liability determined by the market value of UAB Gren Lietuva owned UAB „Kauno kogeneracinė jėgainė“ shares with 15% discount based on the shareholders agreement conditions. The valuation was performed using discounted cash flow method.

30.1 Judgements and accounting estimates pertaining to control over UAB Kauno kogeneracinė jėgainė

As at 31 December 2023, the Group held 51% shareholding in UAB Kauno kogeneracinė jėgainė (hereinafter "Kaunas CHP"), and the remaining 49% of shares was held by UAB Gren Lietuva.

Both shareholders have signed the Shareholders' Agreement under which key decisions over the business should be taken unanimously by the shareholders and / or by the Board which consists of equal number of representatives from both shareholders and one independent member. If the shareholders fail to reach the consensus on the deadlock situation, the Group has an option to buy (call option) all the shares of Kaunas CHP held by UAB Gren Lietuva and thus, whereas UAB Gren Lietuva has an option to sell (put option) to the Group its shareholding in Kaunas CHP, for the price, the calculation of which is defined in the Shareholders' Agreement. As a result the Management believe the Group exercise control over Kaunas CHP, as this can be exercised when decisions need to be made.

In the Group's management view, the call option's exercise price that the Group will have to pay to UAB Gren Lietuva for buyout of Kaunas CHP shares owned by UAB Gren Lietuva, in case the Group accepts option executed by UAB Gren Lietuva, approximates the fair value of the shares less 15% within the limits of the materiality (materiality threshold is based on the best estimate practice, such as +/- 15% of the market value).

At 31 December 2023, the Group accounted for EUR 38.0 million (31 December 2022: EUR 38.0 million) put option exercise liability measured as net present value of the single future cash outflow, which would be paid to UAB Gren Lietuva for Kaunas CHP shares in a deadlock situation in case the put option is exercised.

31 Derivatives

The Group's derivative financial instruments are related to electricity and natural gas commodities and comprise:
– *contracts made directly with other parties – over-the-counter (OTC);*
– *contracts made through "Nasdaq Commodities" market – Nasdaq;*
– *other contracts.*

The fair value of Nasdaq contracts is being set off with cash on day-to-day basis. Accordingly, no financial assets or liabilities are being recognised in the Statement of financial position. Gain or loss of such transactions is recognised the same as all derivative financial instruments.

31.1 Derivative financial instruments included in the Statement of financial position

EURm	31 December 2023	31 December 2022
Other non-current assets (Note 16.1)	2.6	24.4
Other current assets (Note 16.2)	8.9	44.2
Other non-current liabilities	(8.1)	(14.9)
Other current liabilities (Note 30)	(9.2)	(14.2)
Carrying amount	(5.8)	39.5

Movement of derivative financial instruments were as follows:

EURm	2023	2022
Carrying amount as at 1 January	39.5	(57.9)
Fair value change of derivatives in 'Finance income'	0.1	0.2
Fair value change of derivatives in 'Finance expenses'	(0.8)	-
Fair value change of OTC ineffectiveness	(6.1)	19.4
Unrealised gain (loss) of OTC and other financial instruments ineffectiveness	**(6.8)**	**19.6**
Unrealised gain (loss) of Nasdaq ineffectiveness	**(17.9)**	**(10.6)**
Total Unrealised gain (loss)	*(24.7)*	*9.0*
Fair value change of OTC effectiveness	(38.6)	77.8
Fair value change of Nasdaq effectiveness	(80.7)	17.4
Unrealised gain (loss) in 'Other comprehensive income'	*(119.3)*	*95.2*
Fair value change of Nasdaq set off with cash	*98.7*	*(6.8)*
Carrying amount at 31 December	(5.8)	39.5

31.2 Derivatives included in Statement of profit or loss

EURm	2023	2022
Realised gain (loss) from OTC and Nasdaq	15.9	(27.3)
Unrealised gain (loss)	(24.7)	9.0
Total in profit or loss – ineffective energy hedging result	*(8.8)*	*(18.3)*
Cash flow hedges – reclassified to profit or loss from OCI	(40.5)	194.5
Total in profit or loss – effective energy hedging result	*(40.5)*	*194.5*
Total recognised in 'Statement of profit or loss'	(49.3)	176.2

32 Composition of the Group

32.1 List of subsidiaries

The Group's structure as at 31 December 2023:

Company name	Country of registered office	Business segment	Activities profile	Effective ownership interest, %	Non-controlling interest's effective ownership interest, %
AB "Ignitis grupė"	Lithuania	Other activities and eliminations	Parent company – management and coordination of activities of the Group companies	-	-
Subsidiaries of the Group:					
UAB "Ignitis renewables"	Lithuania	Green Generation	Coordination of operation, supervision and development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
Ignitis Renewables Polska Sp. z o. o.	Poland	Green Generation	Development of renewable energy projects	100.00	-
Ignitis RES DEV Sp. z o. o.	Poland	Green Generation	Development of renewable energy projects	100.00	-
Pomerania Wind Farm Sp. z o. o.	Poland	Green Generation	Operation of renewable energy projects	100.00	-
Tuuleenergia OÜ	Estonia	Green Generation	Operation of renewable energy projects	100.00	-
UAB "EURAKRAS"	Lithuania	Green Generation	Operation of renewable energy projects	100.00	-
UAB "VĖJO VATAS"	Lithuania	Green Generation	Operation of renewable energy projects	100.00	-
UAB "VĖJO GŪSIS"	Lithuania	Green Generation	Development and operation of renewable energy projects	100.00	-
UAB "VVP Investment"	Lithuania	Green Generation	Development and operation of renewable energy projects	100.00	-
Silezia1 Wind Farm Sp. z o.o.	Poland	Green Generation	Development of renewable energy projects	100.00	-
Silesia2 Wind Farm S.A.	Poland	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV1 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV2 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
Ignitis renewables Latvia SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
UAB "Plungės vėjo energija"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Vėjas LT"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai 2"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai 3"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV5 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
UAB "Vėjo galia bendruomenei"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV3 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV4 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV6 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
SP Venta SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
BRVE SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
CVE SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
UAB "Ignitis renewables offshore development "	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai 5"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai 6"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai 7"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai 8"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV7 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
UAB "WINDLIT"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Offshore wind farm 1"	Lithuania	Green Generation	Development of renewable energy projects	51.00	49.00
UAB Kauno kogeneracinė jėgainė	Lithuania	Green Generation	Electricity and heat production from waste	51.00	49.00
UAB Vilniaus kogeneracinė jėgainė	Lithuania	Green Generation	Development and operation of cogeneration power plant project	100.00	-

Company name	Country of registered office	Business segment	Activities profile	Effective ownership interest, %	Non-controlling interest's effective ownership interest, %
AB "Ignitis gamyba"	Lithuania	Green Generation Reserve Capacities	Operation and development of renewable energy projects. Operation of reserve capacities assets.	100.00	-
AB "Energijos skirstymo operatorius"	Lithuania	Networks	Distribution of electricity and natural gas, supply of last resort service	100.00	-
UAB "Ignitis"	Lithuania	Customers & Solutions	Supply and trading of energy, EV network development.	100.00	-
Ignitis Polska Sp. z o. o.	Poland	Customers & Solutions	Supply and trading of energy	100.00	-
Ignitis Latvija SIA	Latvia	Customers & Solutions	Supply and trading of energy, EV network development.	100.00	-
Ignitis Eesti, OÜ	Estonia	Customers & Solutions	Supply and trading of energy, EV network development.	100.00	-
Ignitis Suomi OY	Finland	Customers & Solutions	Supply and trading of energy	100.00	-
UAB "Ignitis grupės paslaugų centras"	Lithuania	Other activities and eliminations	Shared business support services	100.00	-
UAB "Gamybos optimizavimas"	Lithuania	Other activities and eliminations	Planning, optimization, forecasting, trading, brokering and other electricity related services	100.00	-
UAB Elektroninių mokėjimų agentūra	Lithuania	Other activities and eliminations	Payment aggregation	100.00	-
UAB "Transporto valdymas"	Lithuania	Other activities and eliminations	Vehicle rental, leasing, repair, maintenance, renewal and service	100.00	-

Performance overview of the Group companies is provided in the section '7.4 Performance of the Group companies' of Integrated Annual Report.

32.2 Changes in the composition

32.2.1 Acquisition of shares through business combinations

During 2023, the Group acquired the following subsidiaries operating in development of renewables energy projects:
- On 14 March 2023, the Group acquired a 100% shareholding in SP Venta SIA.
- On 17 March 2023, the Group acquired a 100% shareholding in BRVE SIA.
- On 17 March 2023, the Group acquired a 100% shareholding in CVE SIA.
- On 14 July 2023, the Group acquired a 100% shareholding in UAB "Vėjas LT".
- On 30 October 2023, the Group acquired a 100% shareholding in UAB "WINDLIT".

Business combination with the above listed companies is presented in Note 32.5.

32.3 Establishment of new subsidiaries

On 24 March 2023, the Group established new subsidiaries: UAB "Ignitis renewables projektai 4", UAB "Ignitis renewables projektai 5" and UAB "Ignitis renewables projektai 6";
On 25 May 2023, the Group established new subsidiaries: UAB "Ignitis renewables projektai 7", UAB "Ignitis renewables projektai 8", IGN RES DEV7 SIA.
On 6 December 2023, the Group with its partners have established a new subsidiary UAB "Offshore wind farm 1".

32.4 Title changed of subsidiaries

On 8 December 2023 UAB "Ignitis renewables projektai 4" title was changed into UAB "Ignitis renewables offshore development".

32.5 Business combinations

The Group applied the acquisition accounting method to account for business combination according to the provisions of IFRS 3. Under the latter method, the acquisition cost is measured as the sum of the fair values, at the date of exchange, of assets given, liabilities incurred and equity instruments issued in exchange for control of the business being acquired.

During business combinations, the Group's management carried out the assessment and established that the difference between the acquisition cost of the business and the fair value of the net assets acquired represents other intangible assets.

32.5.1 Acquisition of subsidiaries in 2023

At the time of business combinations of newly acquired subsidiaries in 2023 the fair values of assets acquired and liabilities assumed were as follows:

EURm	Note	"WINDLIT", UAB	UAB "Vėjas LT"	SIA SP Venta	Other	Total
Assets acquired						
Intangible assets		80.2	22.4	15.4	12.3	130.3
Property, plant and equipment	14	1.6	7.2	0.7	0.2	9.7
Right-of-use assets		-	2.4	-	-	2.4
Prepayments for non-current assets		30.6	38.3	-	-	68.9
Other receivables		0.3	0.6	0.1	0.1	1.1
Cash and cash equivalents		2.9	1.6	-	0.2	4.7
Liabilities assumed						
Loans		-	-	-	0.4	0.4
Lease liabilities		-	2.4	-	-	2.4
Deferred tax liability		12.0	3.4	-	-	15.4
Other liabilities		0.1	2.7	-	0.1	2.9
Total identifiable net assets acquired		**103.5**	**64.0**	**16.2**	**12.3**	**196.0**
Consideration paid		(77.2)	(61.8)	(8.4)	(0.7)	(148.1)
Contingent consideration		(34.1)	(2.8)	(8.2)	(13.4)	(58.5)
Total consideration transferred		**(111.3)**	**(64.6)**	**(16.6)**	**(14.1)**	**(206.6)**
Goodwill arising from the acquisition of subsidiary	13	7.8	0.6	0.4	1.8	10.6
Net cash flows from acquisition of subsidiary						
Cash paid to seller of shares (current period)		(77.2)	(61.8)	(8.4)	-	(147.4)
Cash and cash equivalents acquired		2.9	1.6	-	0.2	4.7
Net cash flows		**(74.3)**	**(60.2)**	**(8.4)**	**0.2**	**(142.7)**

As at 31 December 2023 the contingent consideration for acquisition of subsidiaries are presented in the Statement of financial position as follows:

mln. Eur	„WINDLIT", UAB	UAB "Vėjas LT"	SIA SP Venta	Other	Total
Contingent considerations:					
Other non-current liabilities	9.8	2.8	8.2	10.2	31.0
Current liabilities	24.3	-	-	3.2	27.5
Total	**34.1**	**2.8**	**8.2**	**13.4**	**58.5**

Acquisition of "WINDLIT", UAB

On 30 October 2023, the Group acquired a 100% shareholding in "WINDLIT", UAB from a legal entity. As at 31 December 2023, ownership rights of shares were held by the Group. Total consideration transferred amounts to EUR 111.3 million, EUR 77.2 million of which were paid through a bank account, EUR 34.1 million were identified as contingent consideration, which relates to the fulfilment of specific seller's obligations set out in the share purchase agreement. As at 31 December 2023 contingent consideration has not been paid and will be paid only if the specific sellers obligations are fulfilled. The Group's management estimated that the range of outcomes (undiscounted) is 100% of the total contingent consideration booked as at 31 December 2023.

Since the acquisition date, the contributed revenue and profit or loss from the acquiree are not significant for the reporting period.

If the acquisition of WINDLIT, UAB had occurred on 1 January 2023, the management estimates that the Group's total revenue and net profit for the reporting period would not have changed significantly. In determining these amounts, the management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2023. The Group incurred acquisition-related costs for amount EUR 0.2 million.

Acquisition of UAB "Vėjas LT"

On 14 July 2023, the Group acquired a 100% shareholding in UAB "Vėjas LT" from a legal entity. As at 31 December 2023, ownership rights of shares were held by the Group. Total consideration transferred amounts to EUR 64.6 million, EUR 61.8 million of which were paid through a bank account, EUR 2.8 million were identified as contingent consideration, which relates to the fulfilment of specific seller's obligations set out in the share purchase agreement. As at 31 December 2023 contingent consideration has not been paid and will be paid only if the specific sellers obligations are fulfilled. The Group's management estimated that the range of outcomes (undiscounted) is 100% of the total contingent consideration booked as at 31 December 2023.

Since the acquisition date, the contributed revenue and profit or loss from the acquiree are not significant for the reporting period.

If the acquisition of UAB "Vėjas LT" had occurred on 1 January 2023, the management estimates that the Group's total revenue and net profit for the reporting period would not have changed significantly. In determining these amounts, the management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2023. The Group incurred acquisition-related costs for amount EUR 0.1 million.

Acquisition of SIA SP Venta

On 14 March 2023, the Group acquired a 100% shareholding in SP Venta SIA from a legal entity. As at 31 December 2023, ownership rights of shares were held by the Group. Total consideration transferred amounts to EUR 16.6 million, EUR 8.4 million of which were paid through a bank account, EUR 8.2 million were identified as contingent consideration, which relates to the fulfilment of specific seller's obligations set out in the share purchase agreement. As at 31 December 2023 contingent consideration has not been paid and will be paid only if the specific sellers obligations are fulfilled. The Group's management estimated that the range of outcomes (undiscounted) is 100% of the total contingent consideration booked as at 31 December 2023.

Since the acquisition date, the contributed revenue and profit or loss from the acquiree are not significant for the reporting period.

If the acquisition of SP Venta SIA had occurred on 1 January 2023, the management estimates that the Group's total revenue and net profit for the reporting period would not have changed significantly. In determining these amounts, the management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2023. The Group did not incur material acquisition-related costs.

Acquisition of Other

On 17 March 2023, the Group acquired 100% shareholding in SIA BRVE and SIA CVE from a legal entity. As at 31 December 2023 the ownership rights of shares were held by the Group. Total consideration transferred for both entities amounts to EUR 14.1 million, EUR 0.7 million of which were paid through a bank account, EUR 13.4 million were identified as contingent consideration, which relates to the fulfilment of specific seller's obligations set out in the share purchase agreement. As at 31 December 2023 contingent consideration has not been paid and will be paid only if the specific sellers obligations are fulfilled. The Group's management estimated that the range of outcomes (undiscounted) is 100% of the total contingent consideration booked as at 31 December 2023.

Since the acquisition date, the contributed revenue and profit or loss from the acquiree are not significant for the reporting period.

If the acquisition of BRVE SIA and CVE SIA had occurred on 1 January 2023, the management estimates that the Group's total revenue and net profit would not have changed significantly. In determining these amounts, the management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2023. The Group did not incur material acquisition-related costs.

32.5.2 Reassessment of fair values of assets acquired and liabilities assumed through business combination in 2022

In 2023 the Group made the reassessment of fair values of assets acquired and liabilities assumed through business combination of subsidiary UAB "Plungės vėjo energija", which was acquired in 25 November 2022. The Group's management reassessed the amount of consideration transferred and determined that the range of outcomes (undiscounted) is 100% and therefore recognised EUR 7.5 million contingent consideration which relates to the fulfilment of specific seller's obligations set out in the share purchase agreement. As at 31 December 2023 contingent consideration has not been paid and will be paid only if the specific seller's obligations are fulfilled. Reassessment showed that fair values of assets and liabilities should be adjusted. The adjustment is presented below:

EURm	Fair values of assets and liabilities identified as at 25 November 2022	Adjustments due to reassessment	Fair values of assets and liabilities after reassessment
Assets acquired			
Intangible assets	-	9.0	9.0
Liabilities assumed			
Deferred tax liability	-	1.4	1.4
Total identifiable net assets acquired	**-**	**7.6**	**7.6**
Consideration paid (in 2022)	(0.3)	-	(0.3)
Contingent consideration	-	(7.5)	(7.5)
Total consideration transferred	**(0.3)**	**(7.5)**	**(7.8)**
Goodwill arising from the acquisition of subsidiary	0.3	(0.1)	0.2

As at 31 December 2023 the contingent consideration for acquisition of subsidiary EUR 7.5 million is presented as Other non-current liabilities in the Statement of financial position.

32.6 Non-controlling interest

The tables below have been prepared on the basis of the financial statements of subsidiaries adjusted for consolidation purposes and presents data before intercompany eliminations.

Summarised Statement of financial position of the Group companies with non-controlling interest:

EURm	31 December 2023	31 December 2022
Non-current assets	129.7	141.5
Current assets	49.4	56.5
Non-current liabilities	(93.5)	(100.9)
Current liabilities	(16.2)	(19.2)
Net assets	69.4	77.9
Non-controlling interest	-	-

Summarised Statement of profit or loss of the Group companies with non-controlling interests:

EURm	31 December 2023	31 December 2022
Revenue	53.6	59.4
Net profit (loss) from continuing operations	25.4	26.8
Other comprehensive income (loss)	(4.7)	6.9
Total comprehensive income (loss) for the year	20.7	33.7
Profit (loss) attributable to non-controlling interest[1]	-	-
Dividends paid to non-controlling interest	14.3	-

[1]The Group uses anticipated-acquisition method for recognizing put option redemption liability (Note 30.1). Accordingly, profits (loss) attributable to the holder of the non-controlling interest subject to the put are presented as attributable to the owners of the parent company and not as attributable to those non-controlling shareholders.

Summarised Statement of cash flows of the Group companies with non-controlling interest:

	31 December 2023	31 December 2022
Cash flows from operating activities	35.1	23.8
Income tax (paid) recovered	-	(0.9)
Net cash flows from operating activities	35.1	22.9
Net cash flows from investing activities	0.1	(0.4)
Net cash flows from financing activities	(39.9)	(4.9)
Net increase (decrease) in cash and cash equivalents	(4.7)	17.7
Cash and cash equivalents at beginning of the year	31.8	14.1
Cash and cash equivalents at the end of the year	27.1	31.8

33 Contingent liabilities and commitments

33.1 Litigations

The most significant litigations as at 31 December 2023:

Litigation	Is the Group or the Group's subsidiary party of the process?	Provision recognised in the Statement of financial position?
Litigation concerning the designated supplier state aid scheme and LNG price component	Yes	No
Investigation by European Commission	No	No
Litigation with UAB Kauno termofikacijos elektrinė	Yes	No

33.1.1 Litigation concerning the designated supplier state aid scheme and LNG price component

Following the ruling of the General Court on the European Union (the General Court) of 8 September 2022 in the case T-193/19, AB "Achema" initiated the reopening of the previously suspended proceedings in the administrative courts of the Republic of Lithuania in respect of the complaints it has lodged against the National Energy Regulatory Council (hereinafter referred to 'the Council') regarding the Council's decisions on setting the LNG price supplement. The Group's subsidiary UAB "Ignitis" in these cases is intervened as a third party.

The General Court on 8 September 2021 in the case T-193/19 decided to partially annul the European Commission's decision in the case SA.44678 (2018/N) (hereinafter referred to 'Decision') on procedural grounds. The General Court considered that the European Commission should have had doubts on the amendments regarding the designated supplier state aid scheme, which has been valid for a period from 2016 to 2018, and annulled the Decision on that part, however, maintained the validity of the remainder of the Decision, i.e., the designated supplier state aid scheme being valid from 2019.

Following the General Court's judgment, the Commission has re-examined the compatibility of the 2016 amendments and has decided to open an in-depth investigation under the EU State aid rules. The Commission will now investigate further to determine whether the amount of compensation received by Litgas for the 2016–2018 period, in particular, regarding the boil-off and balancing costs, is in line with the SGEI Framework.

The Supreme Administrative Court of Lithuania in 2023 issued three final rulings in favour of a Group, rejecting complaint of "Achema" AB regarding the setting of the LNG transmission price for 2019 and 2020.

After the formal investigation procedure (which stared in December 2022), there will be more certainty in assessing the actual financial impact on the Group.

33.1.2 Investigation by European Commission

Based on a press release of the European Commission, the Group informs that on 3 June 2019, the European Commission has opened an in-depth investigation to assess whether EU State aid rules were respected when allocating public interest service monies to the Group in the context of a strategic reserve measure.

The Group's management is not aware of any circumstances that could result in potential significant liabilities for the Group in this respect, so therefore no provisions are recognized.

33.1.3 Litigation with UAB Kauno termofikacijos elektrinė

On 17 December 2018, a Group's company UAB „Ignitis" appealed to the Vilnius Court of Commercial Arbitration for compensation of EUR 1,7 million for losses incurred due to UAB Kauno termofikacijos elektrinė failure to acquire the entire required amount of liquefied natural gas assigned for 2015, and for the award of EUR 0.1 million of interest on late payment.

UAB Kauno termofikacijos elektrinė filed a counterclaim in the case, requesting the annulment of one of the terms of the LNG sales and purchase agreement and the additional agreement. The proceedings are suspended until the courts of general jurisdiction have ruled on the non-arbitrable part of the parties' dispute as to whether the national regulatory legislation relevant to the period in question is in conformity with the Constitution and other national laws, as well as with the principles of the EU law.

According to the Group management, the outcome of litigation should not create additional obligations for the Group.

33.2 Issued guarantees

As at 31 December 2023 the Group has no issued guarantees.

As at 31 December 2022 the Group has provided the following guarantees:

Beneficiary of the guarantee	Maximum amount of the guarantee	31 December 2022[2]
Banks	7.3	-
Other companies[1]	12.8	-
Total	20.1	-

[1] *The amount which should be covered by the Group in case an entity could not perform its obligations.*

33.3 Significant acquisition commitments

At the end of the reporting year, the Group had significant acquisition commitments of property, plant and equipment and intangible assets which will have to be fulfilled during the later years (Notes 11.3 and 12.3).

34 Temporary regulatory differences

34.1 Regulatory activity: Accrual of income and regulatory provisions from regulated activities

The profitability of some individual Group companies and their individual activities is regulated by NERC through the service tariffs approved for the next periods. The level of tariffs depends on the projected costs and volume of services for the next period, the extent to which the previous period earnings are at variance with the regulated level, and other factors. The actual costs of regulated activities incurred by the Group during the year may be at variance with the projected costs that are considered during the approval of the tariffs, and the actual volume of services may be at variance with the projected one. Accordingly, actual earnings from regulated activities may be at variance with the regulated level, and the resulting difference will affect the future tariffs of services.

The Group has these regulated activities: electricity distribution (Networks), natural gas distribution (Networks), designated supply of natural gas (Customers & Solutions), natural gas supply to B2C customers (Customers & Solutions), isolated power system operation and system services (Reserve Capacities and Green Generation), public supply of electricity (Customers & Solutions).

Actual costs incurred by the Group during the year may be at variance with the projected costs that are considered during the approval of the tariffs, and the actual volume of services may be at variance with the projected one. Accordingly, the actual earnings of the Group may be at variance with the regulated level, and the resulting difference will affect the future tariffs of services. Such differences are considered to be temporary regulatory differences.

The Group recognises the assets and liabilities of the regulated activities only when the Group has a guarantee (stipulated in NERC resolutions or laws) that even in case of discontinuing regulated activities, the differences would be refunded to the Group in case of undercollections or the Group will have to refund in case of overcollection.

Changes in regulatory assets and liabilities include:
- „new temporary regulatory differences“ that are the management's estimates for the current year calculated using the actual financial and operational data and which are not yet confirmed by NERC;
- „received previous years differences“ that are the amounts received during the current year for the differences in previous periods through tariffs based on the resolutions by NERC;
- „returned previous years differences“ that are the amounts repaid during the current year for the differences in previous periods through tariffs based on the resolutions by NERC;
- „recalculation of previous years differences“ in case the regulatory difference confirmed by NERC do not agree with differences estimated by the management.

34.2 Movement of regulatory assets and liabilities

	Not recognised in the Statement of financial position					Recognised in the Statement of financial position			
EURm	Electricity distribution	Natural gas distribution	Designated supply of natural gas	Natural gas supply to B2C customers	Subtotal not recognised in the Statement of financial position	Isolated power system operation and system services	Public supply of electricity	Subtotal recognised in the Statement of financial position	Total
Balance as at 1 January 2022	(200.2)	(20.3)	(47.5)	63.6	(204.4)	(22.3)	125.0	102.7	(101.7)
New temporary regulatory differences	(6.2)	11.5	13.5	(23.3)	(4.5)	5.9	(20.3)	(14.4)	(18.9)
Received previous years differences	-	-	(19.0)	(63.6)	(82.6)	-	(125.0)	(125.0)	(207.6)
Returned previous years differences	11.6	10.0	-	7.3	28.9	15.2	-	15.2	44.1
Recalculation of previous years differences	-	-	-	-	-	(4.2)	-	(4.2)	(4.2)
Balance as at 31 December 2022	(194.8)	1.2	(53.0)	(16.0)	(262.6)	(5.4)	(20.3)	(25.7)	(288.3)
Balance as at 1 January 2023	(194.8)	1.2	(53.0)	(16.0)	(262.6)	(5.4)	(20.3)	(25.7)	(288.3)
New temporary regulatory differences	(120.5)	(21.9)	82.0	-	(60.4)	(42.7)	(14.4)	(57.1)	(117.5)
Received previous years differences	-	-	(11.0)	-	(11.0)	-	-	-	(11.0)
Returned previous years differences	31.0	6.6	-	16.0	53.6	3.1	17.7	20.8	74.4
Recalculation of previous years differences	-	-	-	0.5	0.5	(0.7)	3.9	3.2	3.7
Balance as at 31 December 2023	(284.3)	(14.1)	18.0	0.5	(279.9)	(45.7)	(13.1)	(58.8)	(338.7)
Non-current	(235.0)	(11.7)	-	-	(246.7)	(46.3)	-	(46.3)	(293.0)
Current	(49.3)	(2.4)	18.0	0.5	(33.2)	0.6	(13.1)	(12.5)	(45.7)

34.2.1 Regulatory assets and liabilities not recognised in the Statement of financial position

34.2.1.1 Electricity distribution

Regulatory differences are determined in accordance with the Methodology for setting the price caps for electricity transmission, distribution and public supply services (hereinafter – the Methodology) and are of two types: adjusted by NERC or estimated by the company.

NERC adjusts the regulatory differences after the first two years of the regulatory period for the regulated activities, and thereafter after four years of the regulatory period and after the entire regulatory period (including the extension of the regulatory period), which reduces the level of revenue allowed for the regulated activities for the following year.

The Group has agreed with the regulator (NERC) to amend the repayment period of the EUR 160.0 million regulatory difference to 2024–2031 (from 2024–2036). In this regard, NERC upgraded the methodology for calculating the additional tariff component and linked it to the leverage level cap of 5.5x (ESO Net Debt/ ESO adjusted EBITDA, both calculated based on NERC approved methodology), which means that if ESO's leverage level exceeds the predetermined cap, the additional tariff component will increase proportionally.

According to the amendment, the regulatory differences for B2C customers (EUR 57.1 million, including accrued interest) will be repaid over a period of 2 years and 3 months (from on 1 April 2024 to 30 June 2026). For B2B customers (EUR 100.6 million, including accrued interest), the repayment period is 7 years and 9 months (from 1 April 2024 to 31 December 2031).

The regulatory difference mentioned above relates to the changes in the Networks methodology in 2021 and, in turn, the recalculated ROI and D&A for the period 2018–2021. Accordingly, after the agreement made the Methodology for determining the price caps for electricity transmission, distribution and public supply services has been changed.

The evaluation of the return on investment for 2022-2023 will be performed in 2024, when setting the electricity distribution price caps for 2025.

34.2.1.2 Natural gas distribution

Regulatory differences are determined in accordance with the Methodology for setting state regulated prices in the natural gas sector (hereinafter – the Methodology) and are of two types: adjusted by NERC or estimated by the company.

NERC adjusts the regulatory differences of the regulated activities after the first two years of the regulatory period, and thereafter after four years of the regulatory period and the entire regulatory period (including the extension of the regulatory period), which changes the level of revenue allowed for the regulated activities for the following year.

By the Resolution No. O3E-1571 passed on 20 October 2023, NERC has set the upper limit of the natural gas distribution price for 2024 on the basis of a certificate No.O5E-904 issued on 19 October 2023.

The evaluation of the return on investment for 2023 will be performed in 2024, when setting the gas distribution price limits in 2025.

34.2.1.3 Designated supply of natural gas

Designated supply activity is also regulated by NERC. The regulatory differences arise when the actual costs differ from those estimated, but the Group does not recognise the regulated assets or liabilities in the financial statements as the difference will be refunded by providing the services in the future.

34.2.1.4 Natural gas supply to B2C customers

Natural gas supply to B2C customers is regulated by NERC. NERC regulates the natural gas tariff paid by the customers. The regulatory differences, defined as the difference between the fixed natural gas sale price and the actual natural gas purchase price, were not recognised in the financial statements till 31 December 2023 as the Group had no guarantee for this difference to be considered when setting tariffs in the future according to the legislation base.

34.2.2 Regulatory assets and liabilities recognised in the Statement of financial position

34.2.2.1 Temporary regulatory differences of isolated power system operations' and system services

On 14 November 2019, NERC adopted a Resolution No. O3E–715 'On the approval of the methodology for establishing the prices for electricity, capacity reserve and services ensuring isolated operation of the power system'. This resolution stipulates that the companies that discontinue the services ensuring capacity reserve or isolated operation of the power system shall reimburse any discrepancies between the projected and actual costs of providing these services to the transmission system operator (related company – LITGRID AB) if the costs actually incurred by the Group were lower than the revenue received from the transmission system operator. If the actual costs incurred by the Group were higher than the income of the transmission system operator, the transmission system operator shall reimburse this amount to the Group. Formulas determined for period 'y' in the resolution for isolated operation of the power system and capacity reserve services:

- in the case of capacity reserve assurance services: the amount of the discrepancy between the assigned investment return that meets the reasonableness criteria compared to the determined investment return during the reporting period (y-2);
- in the case of isolated operation of the power system: the amount of the discrepancy between the costs assigned in the reporting period (y-2) compared to the amount of income received from transmission system operator in the reporting period (y-2).

With regard to the resolution above, if the costs actually incurred by the Group were higher than the income received from the transmission system operator, the transmission system operator must return such amount to the Group and vice versa. Due to this reason, the Group recognises the assets or liabilities of regulated activities, the purpose of which is to equalize the current year's profit to a set level.

On 8 February 2023, an additional agreement with the transmission system operator was signed. Under the agreement, the Group undertook to purchase the required amount of gas and sell the set amount of electricity in advance on the electricity market in accordance with the electricity generation schedule submitted by the transmission system operator, and transmission system operator undertook to reimburse the costs incurred by the Group under the schedule. After this additional agreement, in 2023 the Group has entered into a derivatives' transaction, which hedges the sale price of gas.

34.2.2.2 Temporary regulatory differences of public electricity supply activity

On 25 September 2020, NERC adopted a Resolution No. O3E-879 'On approval of the methodology for determining the electricity transmission, distribution and public supply services and the public price cap'. The resolution includes the methodology for determining the additional component for the distribution services to B2C consumers to compensate the difference between the actual and forecasted reasonable costs of a public supplier. The additional component is paid by B2C customers through the electricity distribution service price, which is included as one of the components of the public electricity tariff applied to the consumed electricity by B2C customers. This component is collected by the distribution system operator (a Group company) from all electricity suppliers that sell electricity to B2C customers. The calculation of the difference includes the difference resulting from the discrepancy between the forecasted electricity purchase price and the actual electricity purchase price as well as the amount of costs resulting from the difference between the public supplier's public electricity price cap and the actual electricity distribution service price caps. If the difference is negative, the loss is compensated through the increased price of the additional component applied in the next year and, accordingly, if the difference is positive, the gain is reduced through the decreased price of the additional component.

This resolution also stipulates that if the Group discontinues public supply services, the Group must refund the raised discrepancies between the forecasted and actual costs of providing these services if the costs actually incurred by the Group were less than the income received. The amount must be refunded to the Group if the costs actually incurred by the Group were higher than the income of the transmission system operator. The difference shall be reimbursed till 31 December 2025.

With regard to the above, the Group recognises contract assets and/or contract liabilities of the difference to eliminate the mismatches between the current year earnings and the regulated level, regardless of the difference in the provision of services in the future.

35 Related-party transactions

Related parties are defined as follows:

- the parent company's controlling shareholders or those who have significant influence;
- associated companies;
- state controlled companies and their subsidiaries (only significant transactions are being disclosed with such companies);
- the Ministry of Finance of the Republic of Lithuania along with agencies and enterprises that are attributable to the governance of the decisions (only significant transactions are being disclosed with such companies);
- the key management personnel and close members of that personnel's family and their controlled enterprises and companies.

In 2023 and 2022, the Group did not conclude any asset investment, acquisition, transfer, lease, pledge and mortgage, obligation fulfilment surety or guarantee transactions with a related party under normal market conditions during normal economic activity which (or the sum of which) exceed 1/10 of the assets provided in the Statement of financial position.

The table below summarises the main types of transactions carried out with related parties were as follows:

Related parties	Registration Code	Official Register	Address	Relationship	Nature of main transactions
LITGRID AB	302564383	SE Centre of Registers	Karlo Gustavo Emilio Manerheimo St. 8, LT-05131 Vilnius	Indirectly controlled by the Ministry of Energy of Lithuania	Sales and purchase of electricity transmission services, capacity services
AB "Amber Grid"	303090867	SE Centre of Registers	Laisvės Ave. 10, LT-04215 Vilnius	Indirectly controlled by the Ministry of Energy of Lithuania	Sales of gas, purchases of gas transmission services
BALTPOOL UAB	302464881	SE Centre of Registers	Žalgirio St. 90, D, LT-09303 Vilnius	Indirectly controlled by the Ministry of Energy of Lithuania	Sales and purchases of electricity, provision of PSO services
UAB GET Baltic	302861178	SE Centre of Registers	Geležinio Vilko St. 18A, LT-08104 Vilnius	Indirectly controlled by the Ministry of Energy of Lithuania	Sales and purchases of gas
Other related parties	-	-	-	Other entities controlled by state bodies	Sales of electricity, provision of electricity transmission and distribution services

Transactions with related parties as at 31 December were as follows:

Related parties	Accounts Receivable 31 December 2023	Accounts Payable 31 December 2023	Sales 2023	Purchases 2023	Finance income (expenses) 2023
LITGRID AB	15.4	15.2	143.1	125.2	-
AB "Amber Grid"	6.0	3.4	20.6	24.4	-
BALTPOOL UAB	0.1	1.7	72.9	1.0	-
UAB GET Baltic	4.2	0.2	116.7	104.1	-
Associates and other related parties of the Group	10.3	3.9	18.5	23.9	-
Total	36.0	24.4	371.8	278.6	-

Related parties	Accounts Receivable 31 December 2022	Accounts Payable 31 December 2022	Sales 2022	Purchases 2022	Finance income (expenses) 2022
LITGRID AB	26.5	36.8	198.6	269.0	-
AB "Amber Grid"	6.4	3.1	34.0	42.5	-
BALTPOOL UAB	0.2	1.6	(64.9)	10.4	-
UAB GET Baltic	84.3	3.8	109.1	119.0	-
Associates and other related parties of the Group	0.1	1.5	0.3	3.4	0.1
Total	117.5	46.8	277.1	444.3	0.1

The negative sales amount in 2022 to BALTPOOL UAB is related to credit invoices issued for PSO services. The revenue from PSO funds is calculated for 1 MW electricity as the difference between the fixed tariff set by the NERC and the weighted average price of electricity sold in the power exchange. If the weighted average price on the power exchange exceeds the fixed rate set by NERC, the Group issues credit invoices to BALTPOOL UAB.

35.1 Terms of transactions with related parties

The payment terms set the range from 15 to 90 days. Closing debt balances are not secured by pledges, they do not yield interest, and settlements occur in cash. There were no guarantees given or received in respect of the related party payables and receivables.

35.2 Compensation to key management personnel

EURm	2023	2022
Wages and salaries and other short-term benefits to key management personnel	1.3	1.1
Whereof:	-	-
Short-term benefits: wages, salaries and other	*1.1*	*1.0*
Long-term benefits	*0.2*	-
Termination benefits	-	*0.1*
Number of key management personnel	12	12

In 2023 and 2022 members of the Management Board (incl. CEO), Supervisory Board and Chief Executive Officer were considered to be the Group's key management personnel. For more information on the key management personnel, see section '4 Governance report' of this report.

36 Risk management

Risks are a natural and integral part of business activities, and risk profile changes continuously. The Group aims to mitigate its risks and reduce them to an acceptable level through risk management. This part describes only the management of the main financial risks. Management of other risks is presented in section '4 Governance report' of this report.

The Group is exposed to a variety of financial risks in their operations:
- market risk;
- credit risk;
- liquidity risk;
- climate change risk.

While managing these risks, the Group companies seek to mitigate the impact of the factors which could adversely affect the Group's financial performance.

36.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in the market prices. The market risk comprises three types of risk:
- foreign currency exchange risk;
- interest rate risk;
- energy and commodity risk.

36.1.1 Foreign currency exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of the changes in the foreign exchange rates.

The sale/purchase contracts of the Group are mainly denominated in euro. The foreign exchange risk is mainly exposed to subsidiaries of the Group that operates in Poland, but the overall Group exposure remains low.

36.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in the market interest rates.

When assuming debt obligations, it is aimed that non-current liabilities would bear a fixed interest rate. If the fixing of the interest rate is not possible due to objective reasons and the liability assumed comprises a significant amount (in the context of the Group), the interest rate derivatives would be used for the purpose of interest management. The aim is that non-current loans and bonds with fixed interest rates comprised not less than 50% of the Group's consolidated non-current loans and bonds portfolio. The usage of any of the interest rate derivatives requires the expiry date of the derivative to correspond to the maturity date of the debt obligation.

The risk of adverse changes in the interest rate of the investment is not actively insured. The risk management measures are applied only when the market has obvious indications that the interest rate might significantly decrease, resulting in negative investment returns.

Most of the Group's loans and bonds had fixed interest rates as at 31 December 2023. Variable-rate financial instruments include the loans received in the amount of EUR 302.7 million and the loans granted in the amount of EUR 51.5 million as at 31 December 2023 (as at 31 December 2022, the loans received amounted to EUR 335.4 million).

Interest rate risk is assessed in relation to sensitivity of the Group's profit to potential shift in interest rates. This assessment is provided in the table below.

Group	Increase/decrease, pp	(Decrease)/increase in profit
2023	1.0/(1.0)	(1.8)/1.8
2022	1.0/(1.0)	(3.4)/3.4

36.1.3 Energy and commodity risk

Commodity risk is the risk that the changes in the market prices (i.e., commodity prices) will affect the Group's results or the value of its holdings of financial instruments. The objective of the energy and commodity risk management is to manage and control the market risk exposures within acceptable parameters while optimising the return.

The Group uses derivatives to manage the commodity risk. All such transactions are carried out according to the Group's risk management policy. Generally, the Group seeks to apply hedge accounting to manage the volatility in the Statement of profit or loss.

In the ordinary course of its operations, the Group is exposed to commodity risks on natural gas and electricity products. The source of exposure lies with the cash flows from the sales of natural gas and electricity or the cost cash flows incurred to procure the fixed price electricity/natural gas for the sales contracts. The majority of this type of exposure is based on the changes in the respective commodity prices in the market where the Group operates.

The commodity risk arises primarily from the following activities:
- fixed price commodity sales contracts (electricity and natural gas) for B2C and B2B;
- fixed price natural gas purchases contracts.

In order to manage the commodity price risk, the Group enters into financial derivatives contracts (cash flow hedges). This is performed in order to secure a fixed acquisition price for the above-mentioned commodities, so that the optimum profit margins could be obtained from the contracted or expected fixed price sales.

For electricity related hedges, the Group uses component-based hedges in the derivatives market (NASDAQ Commodities) or equivalent over-the-counter contracts (OTC), and for natural gas related hedges – OTC contracts with price indexes matching the hedged contracts. The assessment of economic relationship and hedge effectiveness is performed by:

- the dollar offset method for electricity hedges;
- the descriptive method for natural gas hedges.

The two separate components that are being used as a hedged item for electricity-related hedges are the SYS price and price component equivalent or similar to the difference between the Lithuanian price area and the SYS price. Their economic relationship is determined separately for each component.

- SYS price (the average price in the Nordpool power market , of which Lithuania is a member);
- price component equivalent or similar to the difference between the Lithuanian price area and the SYS price (commonly referred as EPAD in NASDAQ Commodities market).

The source of hedge ineffectiveness is mainly related to the limited supply of financial derivatives for Lithuanian electricity price area in the market. Therefore, commodity risk is partly hedged in the similar price areas (Latvian, Estonian and other), which results in partial ineffectiveness. The designated risk component of SYS historically covered 100% of the changes in the hedged item, while the designated price component equivalent or similar to the difference between the Lithuanian price and the SYS price historically covered a variety of percentages (depending on the hedge timing and the hedged price area). However, at least 67% coverage is expected in order for a derivative to be classified as effective for hedge accounting purposes. During the reporting period of 2023, on average, nearly 100% of all electricity hedge contracts in terms of value have been effective.

Overview of the Group's derivatives positions:

EURm	31 December 2023		31 December 2022	
	Contractual nominal value	Market Value[1]	Contractual nominal value	Market Value[1]
Market derivatives - Electricity („Nasdaq commodities")	29.2	2.6	28.9	101.2
Over the counter (OTC) derivatives – Electricity (Note 31)	29.9	(6.0)	73.1	5.0
Over the counter (OTC) derivatives – Natural gas (Note 31)	10.2	(1.7)	134.4	27.4
Total	69.3	(5.1)	236.4	133.6

[1] Non-commodity derivatives are not included in the table above, their fair value as at 31 December 2023 is EUR 1.9 million (as at 31 December 2022 EUR 7.1 million) (Note 31).

Nominal amounts (quantities in TWh) hedged:

	31 December 2023		
	2024	2025	2026
Electricity hedges	1.9	0.1	0.0
Natural gas hedges	(0.3)	0.5	0.0
Total	1.6	0.6	0.0

Nominal values hedged:

EURm	31 December 2023		
	2024	2025	2026
Electricity hedges	56.4	2.7	0.0
Natural gas hedges	(15.3)	25.3	0.2
Total	41.1	28.0	0.2

Market value sensitivity analysis, due to the changes in market prices:

EURm	31 December 2023		
	Market value		
	Increase by 10%	Current prices	Decrease by 10%
Market derivatives - Electricity (Nasdaq commodities)	5.6	2.6	(0.7)
Over the counter (OTC) derivatives - Electricity	(3.6)	(6.0)	(8.3)
Over the counter (OTC) derivatives – Natural gas	(1.1)	(1.7)	(2.4)
Total	0.9	(5.1)	(11.4)

36.2 Credit risk

Credit risk is a risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group's exposure to credit risk arises from operating activities of the companies (trade and other amounts receivable) and from financing activities (loans granted, finance lease agreements). The Group's risk related to cash is limited, as the Group keeps cash balances only in reliable financial institutions.

The Group is not exposed to significant credit risk concentration related to trade receivables and other amounts receivable.

The priority objective of the Group's treasury management is to ensure security of the funds and maximise the return on investments in pursuance of this objective. The risk of counterparties defaulting is managed by entering into transactions with reliable financial institutions (or subsidiaries of such institutions) with a long-term credit rating (in foreign currency) not lower than 'A-' according to the rating agency Fitch Ratings (or an equivalent rating of other rating agencies).

The maximum exposure to credit risk is equal to the carrying amount of financial assets.

EURm	Note	31 December 2023	31 December 2022
Financial assets measured at amortised cost:			
Non-current receivables	14	13.2	22.6
Trade receivables	20	265.9	424.4
Other receivables	21	72.4	107.0
Other current financial assets	15	110.4	-
Loans granted	14, 21	56.1	24.2
Cash and cash equivalents	22	205.3	694.1
Amounts receivable under finance lease agreements			
Non-current portion	14	7.2	6.3
Current portion		2.2	1.9
Financial assets measured at FVTPL or FVOCI			
Investment funds - at FVTPL	15	32.0	20.6
Equity securities - at FVOCI	15	5.0	5.0
Derivatives	31	11.5	68.6
Total		781.2	1,374.7

36.3 Liquidity risk

The liquidity risk is managed by planning future cash flows of each Group company and ensuring sufficient cash and availability of funding through committed credit facilities and overdrafts to support the Group's ordinary activities. The refinancing risk is managed by ensuring that loans over a certain period were repaid from available cash, from cash flows expected from operating activities of the Group companies over that period, and from unwithdrawn committed credit facilities which have to be repaid in later periods.

As at 31 December 2023, the Group's current ratio (total current assets/total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 1.56 and 1.14 respectively (31 December 2022: 1.87 and 1.34 respectively). As at 31 December 2023, the Group's balance of credit lines, overdraft facilities and loan agreements not withdrawn amounted to EUR 566.4 million (31 December 2022: EUR 396.1 million).

The table below summarises the Group's financial liabilities by category:

EURm	Note	31 December 2023	31 December 2022
Financial liabilities measured at amortised cost			
Loans and bonds	25	1,585.7	1,632.3
Lease liabilities		47.5	48.7
Trade payables and non-current amounts payable to suppliers		177.7	177.5
Other current and non-current liabilities		178.7	148.5
Financial liabilities measured at FVTPL or FVOCI			
Derivatives	31	17.3	29.1
Put option redemption liability	30.1	38.0	38.0
Total		2,044.9	2,074.1

The table below summarises the maturity profile of the Group's financial liabilities under the contracts (based on contractual undiscounted payments of interest-bearing financial liabilities and the carrying amounts of other financial liabilities):

	2023				
EURm	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	Total
Loans and bonds	74.8	126.3	1,157.3	692.6	2,051.0
Lease liabilities	1.2	5.1	22.4	44.1	72.8
Trade payables and non-current amounts payable to suppliers	100.3	76.8	0.5	-	177.6
Other current and non-current liabilities	97.7	62.4	58.0	-	218.1
Derivatives	2.4	6.9	8.1	-	17.4
As at 31 December 2023	276.4	277.5	1,246.3	736.7	2,536.9

	2022				
EURm	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	Total
Loans and bonds	186.2	45.0	654.4	906.6	1,792.2
Lease liabilities	1.4	3.2	18.0	52.0	74.6
Trade payables and non-current amounts payable to suppliers	176.3	0.9	0.3	-	177.5
Other current and non-current liabilities	128.3	52.6	5.6	-	186.5
Derivatives	3.5	10.7	14.9	-	29.1
As at 31 December 2022	495.7	112.4	693.2	958.6	2,259.9

36.3.1 Impact of climate change

The Group pays special attention in order to reveal a potential impact of climate change and its related economic, transitional changes on the parent company's activities. This impact may arise from physical (extreme) weather phenomena and from the aspiration of states to switch to the Green Deal, which could cause additional requirements for the energy sector: to comply with new regulations, implement new technological solutions, manage reputational risks, respond to fast growing market demand for green solutions, etc. Read more on the impact of climate change and the parent company's approach on managing it in section '6.2 Environment' of Integrated Annual Report 2023.

Climate change and the transition to net zero have been considered in the preparation of these financial statements. While preparing these financial statements, the following has been considered:

Valuation of property, plant and equipment, and impairment assessment of goodwill

The Group assesses the useful economic life of its property, plant and equipment assets annually. The useful economic life of assets has not been shortened. There are no indicators suggesting that assets have reduced in value, significant impacts of climate change on the Group's assumptions used in estimating their recoverable value and there is no need to perform sensitivity analyses of the effects of climate risk within the assumptions made. The Group management does not reasonably expect the climate change to have a significant impact of valuation of property, plant and equipment, and the impairment assessment of goodwill.

Estimation of decommissioning provisions

The Group holds decommissioning provisions for some of the wind power plants. It is expected that fundamental changes to weather patterns, or the impact of new wind generation capacity will not bring forward the decommissioning of the Group's current wind farm portfolio.

Impact of climate change on provision for risk and on ECL

The Group management does not believe that there are any provisions for risks or potential liabilities requiring consideration in the financial statements in connection with possible disputes, specific regulatory requirements aimed at mitigating environmental damages, sanctions connected with failure to comply with environmental requirements, contracts that may become onerous, possible restructuring works aimed at achieving the climate objectives required. No significant climate and environmental risks are had significant impact when calculating the ECL.

The impact of future climate change regulation is not material on the currently reported amounts of the Group's assets and liabilities.

37 Fair values of financial instruments

37.1 Financial instruments, measured at fair value

The Group's derivatives (Level 2 of the fair value hierarchy), investments funds measured at FVTPL and equity securities measured at FVOCI (Level 3 of the fair value hierarchy), as well as the put-option redemption liability (Level 2 of the fair value hierarchy) and contingent consideration for acquisition of subsidiaries (Level 3 of the fair value hierarchy) are measured at a fair value.

As at 31 December 2023 and 2022, the Group has accounted for assets and liabilities arising from financial derivatives. The Group accounts for financial derivative assets and liabilities at fair value and their accounting policies are set out in Note 1.9.3 of '8.7 Accompanying information'. Market values that are based on quoted prices (Level 1) comprise quoted commodities derivatives that are traded in active markets. The market value of derivatives traded in an active market is often settled on a daily basis, thereby minimising the market value presented on the balance sheet. Market values based on observable inputs (Level 2) comprise derivatives where valuation models with observable inputs are used to measure fair value. All assets and liabilities measured at market value are measured on a recurring basis. The Group attributes derivatives linked to the Lithuanian/Latvian and Estonian/Finish electricity market areas to Level 2 of the fair value hierarchy. Derivatives acquired directly from other market participants (OTC contracts) and the acquired physical transmission rights are estimated based on the prices of the NASDAQ commodities exchange.

As at 31 December 2023 and 2022, the Group has accounted for investments funds measured at FVTPL (Note 15). The fair value measurement of these financial assets is based on investment rounds. The fair value of these financial assets will change depending on exits of investments, future investment rounds or other significant events. Their fair value corresponds to Level 3 of the fair value hierarchy.

As 31 December 2023 and 2022 the Group has accounted for equity securities measured at FVOCI (Note 15). The fair value measurement of this financial asset is based on the valuation performed by external valuator. The valuation was performed based on discounted cash flows. Their fair value corresponds to Level 3 in the fair value hierarchy.

As at 31 December 2023 and 2022, the Group accounted for put-option redemption liability (Note 38) to acquire all the shares of UAB Kauno kogeneracinė jėgainė held by UAB "Gren Lietuva" (49%). The measurement of its fair value is disclosed in Note 38.1. The measurement of the fair value of put-option redemption liability is attributed to Level 2 of the fair value hierarchy.

As at 31 December 2023, the Group accounted for contingent consideration for acquisition of subsidiaries which relates to the fulfilment of specific sellers obligations set out in the share purchase agreements. The measurement of its fair value is disclosed in Note 32.5.The measurement of the fair values of contingent consideration is attributed to Level 3 of the fair value hierarchy.

37.2 Financial instruments for which fair value is disclosed

The carrying amount of the Group's financial assets and financial liabilities is measured at an amortised cost approximated to their fair value, excluding issued bonds and loans received from commercial, state-owned banks. The measurement of the financial instruments related to the issued bonds and loans received is attributed to Level 2 of the fair value hierarchy.

The Group's fair value of loan granted is approximately equal to carrying amount. The measurement of fair value of financial assets related to the loans granted is attributed to Level 3 of the fair value hierarchy.

The fair value of the Group's issued bonds was calculated by discounting future cash flows related to the coupon payments with reference to the interest rate observable in the market and the regular future payments related to issued bonds. The cash flows were discounted using a weighted average discount rate of 3.95% as at 31 December 2023 (31 December 2022 – 5.01%). The discount rate for each bond issue was determined as the yield of certain bonds issued. The measurement of the fair value of issued bonds is attributed to Level 2 of the fair value hierarchy.

The fair value of the Group's loans received from commercial banks and state-owned banks was calculated by discounting the future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a discount rate of 6.42% for loans above EUR 1 million and 5.58% for loans smaller than EUR 1 million (as at 31 December 2022: accordingly, 4.80% and 4.84%). The measurement of fair value of financial liabilities related to these debts is attributed to Level 2 of the fair value hierarchy.

37.3 Financial instruments' fair value hierarchy levels

The table below presents allocation between the fair value hierarchy levels of the Group's financial instruments as at 31 December 2023:

EURm	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobser-vable inputs	Total
Financial instruments measured at FVTPL or FVOCI						
Assets						
Derivatives	31	11.5	-	11.5	-	11.5
Investment funds - at FVTPL	15	32.0	-	-	32.0	32.0
Equity securities - at FVOCI	15	5.0	-	-	5.0	5.0
Liabilities						
Put option redemption liability	30	38.0	-	38.0	-	38.0
Derivatives	31	17.3	-	17.3	-	17.3
Contingent consideration for acquisition of subsidiaries	33.5	66.0	-	-	66.0	66.0
Financial instruments for which fair value is disclosed						
Assets						
Loans granted		55.9			55.9	55.9
Liabilities						
Bonds issued		900.9	-	831.8	-	831.8
Loans received		684.7	-	544.1	-	544.1

The table below presents allocation between the fair value hierarchy levels of the Group's financial instruments as at 31 December 2022:

EURm	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobser-vable inputs	Total
Financial instruments measured at FVTPL or FVOCI						
Assets						
Derivatives	31	68.7	-	68.7	-	68.7
Investment funds - at FVTPL	15	20.6	-	-	20.6	20.6
Equity securities - at FVOCI	15	5.0	-	-	5.0	5.0
Liabilities						
Put option redemption liability	30	38.0	-	38.0	-	38.0
Derivatives	31	29.1	-	29.1	-	29.1
Financial instruments for which fair value is disclosed						
Assets						
Loans granted		24.1			24.1	24.1
Liabilities						
Bonds issued		899.3	-	774.3	-	774.3
Loans received		733.0	-	620.8	-	620.8

38 Events after the reporting period

There were no significant events after the reporting period till the issue of these financial statements.

8.7 Accompanying information

1 Material accounting policies

1.1 New standards, amendments and interpretations

1.1.1 Standards and their interpretations, announced and adopted by the European Union, effective for the current reporting period

The following are the new standards and/or amendments to the standards that have been approved by IASB and endorsed in the European Union during the year ended as at 31 December 2023.

Standards or amendments that came into force during the year of 2023
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS12)
Amendments to IAS 1 and IFRS Practice Statement 2
International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
Definition of Accounting Estimates (Amendments to IAS 8)
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)

The adoption of these standards, their revisions and interpretations had no material impact on the financial statements except the deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS12), Amendments to IAS 1 and IFRS Practice Statement 2, International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) as described in Changes in material accounting policies Note 3.1.1.

1.1.2 Standards issued but not yet effective and not adopted early

While preparing these financial statements, the Group did not adopt the new IFRS, IAS, their amendments and interpretations issued by IASB, the effective date of which is later than 31 December 2023 and whose early adoption is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

Other standards

The following new and amended standards are not expected to have a significant impact on the financial statements.

Other new standards or amendments	IASB Effective date	EU Endorsement status
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024	Endorsed
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	1 January 2024	Endorsed
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements	1 January 2024	Not yet endorsed
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	1 January 2025	Not yet endorsed

1.2 Consolidation principles

1.2.1 Consolidation

The financial statements comprise the financial statements of the parent company and its directly and indirectly controlled subsidiaries. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Control is generally obtained by holding more than one half of the voting rights. The subsidiaries are fully consolidated from the date on which the control is transferred to the Group. They are deconsolidated from the date that control ceases.

The financial statements of the subsidiaries have been prepared using uniform accounting policies and for the same reporting period as that covered by the financial statements of the Group. On consolidation, all inter-company transactions, balances and unrealised gains and/or losses on transactions among the Group companies are eliminated.

Non-controlling interest represents a part of net profit and net assets which is not controlled by the Group. Non-controlling interest is reported separately in the Statement of profit or loss. The share of equity attributable to the non-controlling interest and to the owners of the parent company is shown separately in the consolidated Statement of financial position.

1.2.2 Business combinations

1.2.2.1 Business combination applying IFRS 3 (subsidiaries that are not under common control)

Acquisition of the subsidiaries that are not under a common control is accounted for using the acquisition method. When the acquisition method is applied, the consideration transferred in a business combination is measured as the fair value

of net assets transferred to the former owners of the acquiree. The acquisition-related costs are recognised in the Statement of profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- the deferred tax assets or liabilities and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with International Accounting Standard (hereinafter refered to as 'IAS') 12 and IAS 19 respectively;
- the liabilities or equity instruments related to the share-based payment arrangements of the acquiree or the share-based payment arrangements the Group entered into to replace the share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and
- the assets (or the disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period , or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

1.2.2.2 Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable net assets assumed exceeds (i) the sum of the consideration transferred, (ii) the amount of any non-controlling interests in the acquiree and (iii) the fair value of the acquirer's previously held interest in the acquiree (if any), then this excess is recognised immediately in Statement of profit or loss as a bargain purchase gain.

1.2.2.3 Contingent consideration

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in Statement of profit or loss.

1.2.2.4 Business combination is achieved in stages

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in Statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to Statement of profit or loss, where such treatment would be appropriate if that interest were disposed of.

1.2.2.5 Business combination of entities under common control

For a business combination of entities under common control the following methods are applied:
(a) the acquisition method set out in IFRS 3 or;
(b) the pooling of interests' method.
In selecting which method to apply to the accounting for business combinations of entities under common control, the Group assesses whether there is a "commercial substance" for which the following criteria are considered:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- whether or not the transaction is conducted at fair value;
- the existing activities of the entities involved in the transaction; and
- whether or not it is bringing entities together into a 'reporting entity' that did not exist before.

If the transaction has a commercial substance to the merging parties the Group applies the acquisition method as set above in paragraph "Acquisition of subsidiaries that are not under common control", accordingly if not – the Group applies the pooling of interests' method. By applying the pooling of interests' method, the business combination of entities under common control is accounted according to the following procedures:

- the assets and liabilities of the entities in business combinations are measured at their carrying amounts equal to those reported in the financial statements of the ultimate parent company;
- no newly arising goodwill is recognised on a business combination, however acquiree can recognise intangible assets that meet the recognition criteria in IAS 38;
- any difference between consideration paid and the carrying amount of net assets acquired as at the date of acquisition is recognised directly in equity within retained earnings.

1.2.3 Changes in ownership interest in a subsidiary that do not result in changes in control

Transactions with non-controlling interests that do not result in a loss of control are presented within equity, i.e. as transactions with equity owners. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, recorded as equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

1.3 Foreign currency translation

1.3.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (hereinafter 'the functional currency').

1.3.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in Statement of profit or loss.

1.3.3 Group companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their Statement of profit or loss are translated at average exchange rates observed during reporting period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to Statement of profit or loss.

1.4 Revenue from contracts with customers

Group's major legal performance obligations identified in the contracts with customers are: sale of electricity and gas, supply of electricity, sales of produced electricity, services ensuring the isolated operation of power system and capacity reserve, distribution of gas, distribution and transmission of electricity, new customers connection and upgrade, provision of Public Service Obligations (hereinafter "PSO services") and provision of Liquefied Natural Gas Terminal Security Component Obligations (hereinafter "LNGT services").

For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. When recognising revenue, the Group takes into consideration terms of contracts signed with customers and all significant facts and circumstances, including the nature, amount, timing and uncertainty relating to cash flows arising from the contract with the customer.

1.4.1 Electricity related revenue

The Group's electricity related revenue includes:
- sale of electricity (Note 1.4.1.1);
- revenue from public electricity supply (Note 1.4.1.2);
- sale of produced electricity (Note 1.4.1.3);
- revenue from services ensuring the isolated operation of power system and capacity reserve (Note 1.4.1.4);
- revenue from electricity distribution and transmission (Note 1.4.1.5);
- revenue from public service obligations funds (hereinafter "PSO funds") (Note 1.4.1.6).

Electricity related revenue is received from B2B and B2C customers. Electricity to B2C customers is supplied at electricity tariff applied for public supply (Note 1.4.1.2), electricity tariff applied for independence supply (Note 1.4.1.1) or electricity tariff applied for supply of last resort (Note 1.4.1.1). Electricity to B2B customers is supplied at electricity tariff applied for independence supply (Note 1.4.1.1) or electricity tariff applied for supply of last resort (Note 1.4.1.1).

Accounting policy for electricity related revenue may be presented in accordance with the components of the electricity tariff applied to the consumed electricity by B2C and B2B customers. The tariff comprises of the following components:
- price of electricity (Note 1.4.1.1, 1.4.1.2);
- fee for electricity supply services (Note 1.4.1.1, 1.4.1.2);
- price of electricity transfer services, which include two components: transmission over high voltage grid and distribution over medium and low voltage grid (Note 1.4.1.5);
- price of electricity system services (includes capacity reserve services) (Note 1.4.1.4);
- fee for PSO services (hereinafter "PSO fees") (Note 1.4.1.6.).

Regulation of tariffs and the Group's profitability is presented in the Note 34.

1.4.1.1 Revenue from the sale of electricity

Revenue from sales of electricity (Note 6 line item "Revenue from the sale of electricity") mainly consists of electricity sales to:

- B2B customers, and
- B2C customers by providing:
- the independence supply services according to bilateral agreements or
- supply of last resort services.

Revenue includes the price of electricity and the fee for electricity supply services. Revenue is recognized over time in each reporting period on the basis of VAT invoices issued, which includes the calculated amount of electricity consumed. Electricity consumption is calculated on the basis of the declared meter readings provided by consumers.

Revenue from the sale of electricity providing the supply of last resort services is regulated (Note 1.4.4.1).

1.4.1.2 Revenue from public electricity supply

Revenue from public electricity supply (Note 8 line item "Revenue from public electricity supply") consists of the following components of public supply electricity tariff: (i) sale of consumed public electricity and (ii) public supply service fee. Revenue from public electricity supply to the customers is recognised over time referring to the supplied electricity quantity reading devices provided by them and verified by the distribution system operator. In case of difference between provided and verified quantities due to over declaration (Note 34) the Group estimates the amount of deferred income (Note 19) and accounts for as a contract liability.

Revenue from public electricity supply is regulated (Note 34).

1.4.1.3 Revenue from sale of produced electricity

The sales of electricity produced (Note 6 line item "Revenue from sale of produced electricity") using own resources are conducted at the Power exchange by submitting electricity sale offers to the Power exchange. On the Day-Ahead market, the transaction for the purchase and sale of electricity is considered as concluded if the automatic coupling algorithm does not by default reject the submitted offer of selling electricity. Transactions on the Intraday market are approved by market participants. Following the approval of the transaction, the system of the Power exchange sends a confirmation of the concluded electricity sale transaction to the seller. The seller's performance obligation under the concluded transaction is to supply the volume of electricity as indicated in the seller's offer to the electricity transmission system. The performance obligation is to be carried out throughout a certain period during which the supply of the agreed volume of electricity is maintained to the network. The progress of fulfilment of the performance obligation is assessed considering the volume of electricity indicated in respect of the transaction.

The price of the transaction and consideration to be paid to the seller correspond to the amount indicated in the confirmation notice of the transaction. The entire consideration of the seller payable at a flat rate. Upon receipt of the confirmation on the conclusion of the transaction on the sale of electricity, the prices of that transaction remain unchanged.

Revenue is recognised considering the actually supplied electricity pertaining to the transaction, without any deduction of commissions that might be deducted by trading intermediaries representing the Group at the Power exchange.

1.4.1.4 Revenue from services ensuring the isolated operation of the power system and capacity reserve

The Group provides services ensuring capacity reserve and isolated operation of the power system (Note 6 line item "Revenue from the services ensuring the isolated operation of power system and capacity reserve"), for the provision of which is responsible transmission system operator. Transmission service operator purchases the services from the Group according to the bilateral agreement.

Capacity reserve services ensure the required power reserve and are understood as the potential of electricity generation which is used to maintain the set frequency, to ensure the balance of the electricity system and to generate electricity in the event of a decrease in production or an increase in consumption. Capacity reserve services are provided continuously 24 hours a day.

Revenue from services ensuring the isolated isolated operation of the power system and capacity reserve services is recognised over time. The price of these services which is paid by transmission system operator to the Group is set by NERC for one MW/h and the quantity is measured as MW for the whole year. The measurement of the service is performed by the readings of electricity meters.

Revenue from capacity reserve services and services ensuring the isolated operation of power system are regulated by NERC (Note 34).

1.4.1.5 Revenue from electricity transmission and distribution

Revenue from electricity transfer, which includes transmission and distribution (Note 8, line item "Revenue from electricity transmission and distribution"), to B2C customers is recognised in each reporting period on the basis of declared or actual, i.e., determined upon inspection or received via smart meters, readings. If declared or actual meter readings are not available, revenue from transmission and distribution of electricity is recognised based on the average usage estimation method.

Electricity transmission services in Lithuania are provided and acquired from transmission system operator which is not a part of the Group. The Group collects electricity transmission fees from B2B customers and B2C customers and transfer them to transmission system operator. The Group is a principal for transmission services fees and recognise the revenue of them (Note 6.4).

Because the Group has no control over electricity transmission and distribution service obligations provided in Latvia (Note 6.4), the Group treats itself as an agent in the provision of electricity transfer, which includes both transmission and distribution.

Revenue from transmission and distribution of electricity is regulated (Note 34).

1.4.1.6 Revenue from Public Service Obligations: PSO fees and PSO funds

The purpose of PSO services provision is to implement the strategic objectives of the energy, economic and environmental policy of the Republic of Lithuania, ensuring the implementation of the interests of all electricity consumers. Under the public service obligation scheme approved by Ministry of Energy PSO fees are collected by electricity suppliers from end users through the electricity tariff. Energy exchange operator BALTPOOL UAB is engaged in the collection of PSO fees from electricity suppliers and disbursement of PSO funds to PSO service providers. The list of services supported by PSO is determined by the Government of the Republic of Lithuania.

1.4.1.7 The Group as an electricity supplier

PSO fee is an integral part of electricity tariff to the customer. The Group collects PSO fees from end-customers, connected to electricity distribution grid, and transfers them to the administrator of PSO funds BALTPOOL UAB. The Group is agent for PSO fees, collected from the end-customers, and doesn't recognise the revenue of them (Note 6.4).

1.4.1.7.1 The Group as a PSO service provider

The Group generates electricity using renewable energy sources which are considered as PSO services and are financed by PSO funds through the PSO budget. Revenue from PSO funds is recognised over time according to issued monthly invoices to BALTPOOL UAB. For measuring the progress of completion, the Group using the practical expedient recognises revenue in the amount to which it has a right to invoice. Revenue of PSO funds for 1 MW of electricity supplied to the electricity grid during the month is recognised as the difference between the fixed tariff set by the NERC and the weighted average price of electricity sold in Power exchange in previous month. The quantity of electricity supplied is determined by the readings of metering devices.
Revenue from PSO funds (Note 8, line item "Revenue from PSO") is regulated (Note 34).

1.4.2 Gas related revenue

The Group's gas related revenue includes:
- revenue from gas sales (Note 1.4.2.1);
- revenue from gas distribution (Note 1.4.2.2);
- revenue of LNGT security component (1.4.2.3.2).

Gas related revenue is received from B2B customers and B2C customers by providing services of gas supply. Revenue of LNGT security component is received as a compensation for providing services of designated supplier. For the purpose of these financial statements terms "gas" and "natural gas" are used for referring to the same items.

Accounting policy for gas related revenue received from B2C customers may be presented in accordance with the components of the natural gas tariff applied to the consumed gas by B2C customers.

Final natural gas tariff to B2C customers comprise of the following components:
- price of gas (Note 1.4.2.1);
- price of natural gas transmission over high-pressure (Note 1.4.2.2);
- price of natural gas distribution over medium and low pressure grid services (Note 1.4.2.2);
- LNGT security component (Note 1.4.2.3.2).

The Group as a natural gas supplier collects payments for all components from customers. The component of transmission service price and LNGT security component are transferred to transmission grid operator. The Group is an agent in collection of transmission service component (Note 6.4) and LNGT security component fees (Note 6.4).

Regulation of tariffs and the Group's profitability is presented in the Note 34.
Accounting policy for revenue from B2B customers is presented in Notes 1.4.2.1, 1.4.2.2.

1.4.2.1 Revenue from gas sales

Revenue from sales of gas (Note 8 line, item "Revenue from gas sales") consists of gas price and supply margin. Gas sales are performed by the Group as a natural gas supplier to B2C customers and as a designated LNG supplier to gas market.

Revenue from gas sales to end-customers is recognised on a monthly basis referring to the supplied gas quantity readings devices provided by them and verified by the distribution system operator (an accrual basis). In case of difference between provided and verified quantities due to over declaration (Note 6.4) the Group estimates the amount of deferred income (Note 19) and accounts for as a contract liability.

1.4.2.2 Revenue from gas distribution

The Group provides natural gas distribution services to B2C and B2B customers.

Revenue from B2B customers for the distribution of natural gas (Note 8 line item "Revenue from gas distribution") is recognised over time based on to the readings of measuring devices provided by users or, if users did not provide the readings of measuring devices, referring to the quantities of gas calculated according to the approved methodology for the calculation of quantities of natural gas, as agreed with NERC (an accrual basis).

Revenue from B2C customers is recognised over time based on the actual natural gas quantity supplied which is calculated according to the approved methodology for the calculation of quantities of natural gas, i.e. the calculation of revenue takes into account mismatches between quantities of gas declared by B2C customers and quantities of gas transferred to them (an accrual basis).

Revenue from gas distribution is regulated (Note 34).

In Latvia natural gas distribution services are provided and acquired from the operator of gas distribution grid which is not a part of the Group. The Group as a natural gas supplier collects payments for distribution service component and transfers to operator of distribution grid. The Group is an agent in the collection of distribution service component in Latvia (Note 6.4).

1.4.2.3 LNGT security component

The Law on the Liquefied Natural Gas Terminal of the Republic of Lithuania provides that contribution so-called security component related to the following securities of natural gas supply shall be collected from end users and added to the natural gas transmission price:
- for the installation of LNGT, its infrastructure and connection and all fixed operating costs that are not included in other state regulated prices, and
- to compensate for the reasonable costs of supplying the minimum quantity required to ensure the necessary operation of the LNGT.

Similarly, to PSO fees, LNGT security component is collected by natural gas suppliers from end users through the natural gas tariff and transferred then to the state budget, from which the LNGT funds are distributed (i.e. disbursed) to LNGT service providers.

The Group (through the Group company UAB "Ignitis") acts as a natural gas supplier that collects LNGT security component from end users and as designated liquefied natural gas supplier (hereinafter "designated supplier") the function of which is to ensure the necessary operation of the LNGT by supplying the minimum quantity of natural gas.

1.4.2.3.1 The Group's activity as natural gas supplier to end users

LNGT security component is an integral part of natural gas tariff to the customer. Payments for LNGT security component collected directly from customers or natural gas suppliers, if the customers don't have a direct contract with the operator of transmission system. Collected amounts of LNGT security component are transferred to gas transmission system operator AB "Amber Grid" (doesn't belong to the Group) which is appointed to perform the function of administering the LNGT security component. In accordance of IFRS 15 the Group in providing these services consider itself by acting as an Agent and recognises the revenue on a net basis (Note 6.4). Income and disbursements of LNGT security component (regardless whether the net of it is positive or negative) are recognised under the item "Purchases of electricity, gas and other services" in Statement of profit or loss.

1.4.2.3.2 The Group's activity as designated LNG supplier to gas market

The Group is providing dedicated LNG supply function.

In order to maintain the LNG Terminal infrastructure in minimum mode, a certain amount of natural gas, which is to be supplied through the LNG Terminal, is required for filling, regasification or transhipment and supply to the Lithuanian natural gas system or the international LNG market.

The Law on the LNG Terminal and the Description of the Natural Gas Supply Diversification Procedure determines that the required quantity shall be supplied by the designated supplier (nominated by the Ministry of Energy for 10 years, designation ends on 31 December 2024) by concluding a contract with the LNG supplier.

To ensure the operation of LNG terminal the designated supplier shall sell the required quantity on a competitive market and therefore its costs which due to the nature of its activities are exclusively borne (whereas other suppliers don't incur) are compensated by operator of transmission system paying LNGT funds that are paid from the budget of LNGT security component collected by natural gas suppliers from end customers. Accordingly, the Group receives revenue from LNGT funds.

The revenue of LNGT funds is recognised over time by issuing VAT invoices to the operator of transmission system according to the statements which are received from it and include information of degassed and (or) reload quantity of LNG and the quantity of LNG used for the Group's technological needs at LNG Terminal. Revenue of LNGT funds is recognised under the "Revenue from contracts with customers" item in Statement of profit or loss. Revenue of LNGT security component is presented in Note 8 line item "Revenue of LNGT security component".

Revenue of LNGT security component is regulated (Note 3.2.4).

1.4.3 Other significant revenue from contracts with customers

1.4.3.1 New customers connection and upgrade fees

The Group obtains revenue from services of new customers connections and upgrades to the electricity and natural gas distribution networks (Note 6 line item “Revenue from new customers’ connection and upgrade fees”). Connection and upgrade fees obtained by the Group are non-refundable upfront fees paid by the customers for the connection and upgrade to electricity and gas distribution network.

The Group signs separate agreements with customers for connection services. The Group also signs agreement with private customers and business customers for electricity and gas distribution. Connection and upgrade fees do not represent a separate performance obligation from the sale of ongoing distribution of electricity or gas services as they are highly interrelated. Therefore, revenue from connection and upgrade fees is deferred and recognised as revenue over the estimated average useful life of assets providing the connection service, being 27 years for electricity grid and 46-55 years on for gas grid.

Connection and upgrade fees received from customers which are deferred are accounted for as deferred revenue as a contract liability (Note 19).

According to connection contracts client is obliged to pay an advance before connection works are started. Advances received from clients are accounted for as prepayments received as a contract liability (Note 19).

1.5 Expense recognition

Expenses are recognised in Statement of profit or loss as incurred applying accrual basis of accounting.

1.6 Intangible assets

1.6.1 Patents, licences and trademarks

Patents, licenses and trademarks are measured initially at acquisition cost and are amortised on a straight-line basis over their estimated useful lives of 3 to 5 years or a specific validity term of a license and/or patent, if any. Useful life is reviewed on year-by-year basis.

1.6.2 Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (2 to 4 years).

1.6.3 Servitudes

The Group's intangible assets includes 'Servitudes' which comprise the Group's rights to use the land plots owned by third persons on the basis of servitudes. Servitudes comprise statutory and contractual servitudes:
- statutory servitudes comprise the Group's rights to use the land plots owned by third persons in which electricity networks were established before 10 July 2004 on the basis of statutory servitudes;
- contractual servitudes comprise the Group's rights to use the land plots owned by third persons in which electricity networks were established since 2018 on the basis of contractual servitudes.

The useful life of an intangible asset (right to use the land which has a servitude) is indefinite, therefore, these assets are not subject to amortisation. Useful life of intangible assets are indefinite since the right to use the land is granted for an indefinite period of time according to the conditions of agreements for compensation for servitudes as well as Civil code of Republic of Lithuania. Accordingly, right to use the land (to which servitude is applied) is retained by the Group regardless of the condition, repairs or renewals of Group's assets constructed on the mentioned land. Since these right-to-use land contracts concluded as perpetual arrangements thus contractual and statutory servitudes are out of scope of IFRS 16 Leases. This is because a lease conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration. Perpetual is not a specified period of time when identifying a lease. Therefore, a perpetual arrangement lacks an essential characteristic of a lease – i.e. it does not meet the definition of a lease because it does not convey a right to use an underlying asset for a specified period of time. A perpetual arrangement is effectively a form of ownership interest in an asset that lasts forever.

However, the Group has accounted for provision to compensate land owners for servitudes in accordance with requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets (see Note 28). Remeasurement of provision due to changes in underlying assumptions is accompanied with respective adjustment of carrying amount of intangible assets.

The Group tests the intangible assets of servitudes for potential impairment, by comparing their recoverable value with the carrying value at least once per year or when there are signs of impairment. If the value of the asset changes, such change is accounted for by decreasing/increasing the value of the servitudes.

1.6.4 Special conditions on land use (protection zones)

The Group's intangible assets include the Group's obligations to register and the right to use a third-party land on the basis of special conditions on land use. The accounting policies applied are similar to those applied for intangible assets 'Servitudes'.

1.6.5 Licenses and rights to produce electricity

Intangible assets acquired through business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired through business combination are measured on the same basis as intangible assets that are acquired separately.

Amortisation is calculated over the estimated useful life corresponding to specific validity term of a license or right to produce electricity. For the licenses acquired through business combination (licenses to produce electricity with incentive tariff), useful life is determined to be 12 years. Useful life is reviewed on year-by-year basis.

1.6.6 Other intangible assets

Intangible assets expected to provide economic benefits in future periods are measured at acquisition cost less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line basis over the estimated economic useful life of 3 to 4 years.

The Group's intangible asset amortization expenses are accounted for within the item "Depreciation and amortization" in the Statement of profit or loss.

1.7 Property, plant and equipment

Accounting policy according to asset classes is as follows:

At cost	Revalued
Land	Electricity networks and their structures
Buildings	Construction-in-progress
Gas distribution pipelines, gas technological equipment and installations	
Assets of Hydro Power Plant, Pumped Storage Power Plant	
Wind power plants and their installations	
Combined Cycle Unit and Reserve Power Plant	
Cogeneration plants	
Other property, plant and equipment	
Construction-in-progress	

In Construction-in-progress is assigned to various asset classes, therefore part of the assets of this class is accounted for at cost method, the other part – at revalued amount.

Cost includes replacement costs of components of property, plant and equipment when incurred and when these costs meet the recognition criteria of property, plant and equipment. The carrying amount of the replaced part is derecognised. Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with these costs will flow to the Group and the costs can be measured reliably. All other repairs and maintenance costs are recognised in the Statement of profit or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed at least once per year and adjusted if appropriate. For accounting of borrowing costs - see Note 1.9.

Construction in progress is transferred to appropriate categories of property, plant and equipment when asset is completed and ready for its intended use.

Increases in the carrying amount arising on revaluation of property, plant and equipment are recognised in other comprehensive income of the Statement of comprehensive income and accumulated to the revaluation reserve in equity. However, the increase is recognised in Statement of profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. Decreases in the carrying amount of an asset arising on revaluation are generally recognised in profit or loss; decreases that offset previous increases of the same asset are recognised in other comprehensive income and recognised against the revaluation reserve. Each year the difference between depreciation based on the revalued amount of the asset (when the carrying amount increases after revaluation) is recognised in the Statement of profit or loss and depreciation based on the asset's original acquisition cost is transferred from revaluation reserve to retained earnings, net of deferred tax.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate the acquisition cost/revalued amounts less their residual values over their estimated useful lives (number of years), as follows:

Category of property, plant and equipment	Useful lives (number of years)
Buildings	8–75
Electricity networks and their structures	
- electrical and communication devices	20–25
- electricity distribution equipment	15-45
- electrical equipment	15-35
- other equipment	5-50
Gas distribution pipelines, gas technological equipment and installations	18-55
Assets of Hydro Power Plant, Pumped Storage Power Plant, and Combined Cycle Unit and Reserve Power Plant	
Assets of Hydro Power Plant, Pumped Storage Power Plant:	
- hydrotechnical waterway structures and equipment	75
- pressure pipelines	50
- hydrotechnical turbines	25-40
- other equipment	8-15
Structures and machinery of Reserve Power Plant:	
- structures and infrastructure	10-70
- thermal and electricity equipment	10-60
- measuring devices and equipment	5-30
- other equipment	8-15
Structures and machinery of Combined Cycle Unit:	
- structures and infrastructure	20-50
- electricity lines	20-40
- electricity generation equipment	20-50
Wind power plants and their installations	20-30
Cogeneration plants and their installations	30-45
Other property, plant and equipment	2-35

1.8 Right-of-use assets

Right-of-use asset is the asset that reflects the right of the Group to use the leased asset over the life of a lease. The Group recognise a right-of-use asset for all types of leases, including leases of right-of-use assets in sublease, with the exception of leases of intangible assets, short-term leases and leases for which the underlying asset is of low value.

1.8.1 Initial measurement of right-of-use assets

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises: the amount equal to the lease liability at its initial recognition, lease payments made at or before the commencement of the lease (less any lease incentives received), any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group incurs obligation for these costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. The Group recognises these costs as part of the cost of right-of-use asset when the Group incurs an obligation for these costs.

1.8.2 Subsequent measurement of right-of-use assets

Subsequent to initial recognition, the Group measures the right-of-use asset using the cost model. Under the cost model, the Group measures a right-of-use asset at cost less any depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Right-of-use assets are depreciated on a straight-line basis.

The Group presents rights-of-use assets separately from property, plant and equipment in the Statement of financial position.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1.9.1 Financial assets

The Group classifies its financial assets into the following three categories:
- financial assets subsequently measured at amortised cost;
- financial assets subsequently measured at fair value through other comprehensive income (hereinafter "FVOCI"), and
- financial assets subsequently measured at fair value through profit or loss (hereinafter "FVTPL").

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Transaction costs comprise all charges and commissions that the Group would not have paid if it had not entered into an agreement on the financial instrument.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (hereinafter "SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Interest income calculated on these financial assets is recognised as finance income and amortised using the effective interest rate method. Any gain or loss arising from the write-off of assets is recognised in Statement of profit or loss. Impairment losses are accounted for as other expenses (Note 11) in Statement of profit or loss.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Group applies when managing its financial assets and characteristics of cash flows from these assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the Group. The intentions of the Group's management regarding separate instruments has no effect on the applied business model. The Group may apply more than one business model to manage its financial assets. In view of the business model applied for managing the group of financial assets, the accounting for financial assets, is as follows:

1.9.1.1 Financial assets subsequently measured at FVOCI

The Group has derivatives and equity securities (debt investment) subsequently measured at FVOCI. For detailed information for derivatives see Note 1.9.3.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieded by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

1.9.1.2 Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest rate (hereinafter "EIR") method and are subject to impairment. Amortised cost is the amount at which the financial instrument was recognised at initial recognition minus principal repayments, plus accrued interest, and, for financial assets, minus any write-down for expected credit losses. The Group's financial assets at amortised cost includes loans granted by the Group, trade and other amounts receivable, and cash and cash equivalents are accounted for under the business model the purpose of which is to hold financial assets in order to collect contractual cash flows that can contain cash flows related to the payment of the principal amount and interest inflows.

1.9.1.3 Financial assets at FVTPL

Debt instruments that do not meet the criteria of financial assets to be measured at amortised cost or financial assets to be measured at FVOCI are classified as financial assets to be measured at FVTPL.

The Group classifies financial assets as assets measured at FVTPL, if this eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising gains or losses thereof on different bases. A gain or loss on fair value measurement of debt investment is recognised in Statement of profit or loss in the period in which it arises. The Group classifies in this category investments to equity instruments that do not meet the SPPI conditions.

1.9.1.4 Effective interest method

The EIR method is used in the calculation of the amortised cost of a financial asset and in the allocation of the interest revenue in Statement of profit or loss over the relevant period.

The EIR is the rate that exactly discounts estimated future cash inflows through the expected life of the financial asset to the gross carrying amount of the financial asset that shows the amortised cost of the financial asset, before adjusting for any loss allowance. When calculating the EIR, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the EIR, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Group uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

1.9.1.5 Impairment of financial assets – expected credit losses

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost regardless of whether there are any impairment indicators.

Credit losses incurred by the Group are calculated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. all cash shortfalls), discounted at the original EIR. The Group estimates cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument, including cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information about past events and current conditions, and reasonable and supportable forecasts of future events and economic conditions at the reporting date.
Lifetime expected credit losses are the expected credit losses that result from all possible default events over the period from the date of initial recognition of a financial asset to the subsequent date of settlement of the financial asset or ultimate write-off of the financial asset.

The Group seeks for lifetime expected credit losses to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently, when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it is used to assess changes in credit risk. Expected credit losses are recognised by taking into consideration individually or collectively assessed credit risk of loans granted and trade receivables. Credit risk is assessed based on all reasonable information, including forward-looking information.

For short-term trade receivables without a significant financing component the Group applies a simplified approach required by IFRS 9 and measures the loss allowance at expected lifetime credit losses from initial recognition of the receivables (Note 20.2).

The Group's management performs the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular debtor its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime expected credit losses in respect of that particular borrower. In the absence of reliable sources of information on the credit history of a particular debtor its financial position as at the date of assessment, including forward-looking information, the Group assesses the debt on a collective basis.

For the purpose of determining the lifetime expected credit losses of amounts receivable, the Group on a collective basis applies the loss ratio matrix. The loss ratio matrix is based on historical data on the settlement for trade receivables during the period of validity of trade receivables and is adjusted with respect to future forecasts. The loss ratios are updated during the preparation of the annual financial statements with respect to the impact of operational prospects where these prospects are indicative of any exacerbation of economic conditions during upcoming years or of customer types. To measure expected credit losses, trade receivables are grouped based on shared credit risk characteristics. The non-recoverability analysis is conducted for the last several years in order to determine the general default ratio. As regards different groups of consumers, a different loss ratio matrix is used.

The lifetime expected credit losses of other amounts receivable are assessed based on the individual assessment basis. The Group's management performs the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime expected credit losses in respect of that particular borrower.

Recognition stages of expected credit losses:
1. upon granting of a loan or concluding a finance lease agreement, the Group recognises the expected credit losses for the twelve-month period. Interest income from the loan (finance lease) is calculated on the carrying amount of financial assets without adjusting it by the amount of expected credit losses;
2. upon establishing that the credit risk related to the borrower or lessee has significantly increased, the Group accounts for the lifetime expected credit losses of the loan or finance lease agreement. All lifetime expected credit losses of a financial instruments are calculated only when there is a significant increase in credit risk relating to the borrower. Interest income from the loan (finance lease) is calculated on the carrying amount of financial assets without adjusting it by the amount of expected credit losses;
3. where the Group establishes that the recovery of the loan is doubtful or that the condition of the lessee shows that the loan of this lessee needs to be classified as doubtful debts, the Group classifies this loan (finance lease receivables) as credit-impaired financial assets (doubtful loans and receivables). Interest income from the loan (finance lease) is calculated on the carrying amount of financial assets which is reduced by the amount of expected credit losses.

In stage 2, an assessment of the significant deterioration in the borrower's financial situation is performed by comparing the financial situation as at the time of the assessment and the financial situation as at the time of issuing the loan.

The latest point at which the Group recognises all lifetime expected credit losses of the loan granted or a finance lease agreement is identified when the borrower is late to pay a periodic amount or the total debt for more than 90 days. In case of other evidence available, the Group accounts for all lifetime expected credit losses of the loan granted regardless of the more than 90 days past due presumption.

1.9.1.6 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:
(a) significant financial difficulty of the borrower;
(b) a breach of contract, such as a default or past due event for more than 90 days;
(c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties;
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

1.9.1.7 Derecognition of financial assets

A financial asset (or, where applicable a part of financial asset or group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the right to receive cash flows from the asset is retained, but an obligation is assumed to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the rights to receive cash flows from the asset are transferred and either (a) substantially all the risks and rewards of the asset have been transferred, or (b) substantially all the risks and rewards of the asset have neither been transferred nor retained, but control of the asset has been transferred:
  - if control is not retained, the financial asset is derecognised and any rights and obligations created or retained in the transfer are recognised separately as assets or liabilities;
  - if control is retained, it shall continue to recognise the financial asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Whether the control of the transferred asset is retained depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, control is not retained. In all other cases, control is retained.

1.9.2 Financial liabilities and equity instruments issued

Debt or equity instruments are classified as financial liabilities or equity based on the substance of the arrangement.

1.9.2.1 Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and bonds, trade and other payables or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and bonds and trade ant other payables, as net of directly attributable transaction costs.

1.9.2.2 Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:
- financial liabilities at FVTPL;
- financial liabilities at amortised cost.

1.9.2.3 Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivatives entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in Statement of profit or loss.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

1.9.2.4 Financial liabilities at amortised cost

After initial recognition, trade payables, interest-bearing loans and bonds are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised as profit or loss in the Statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in Statement of profit or loss.

1.9.2.5 Classification and borrowing costs

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

If a financing agreement concluded before the Statement of financial position date proves that the liability was non-current by its nature as of the date of the Statement of financial position, that financial liability is classified as non-current.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time (more than one year) to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets until those assets are completely ready for use or sale. All other borrowing costs are expensed as incurred. Interest income that relates to temporal investment of borrowed funds until their use for the acquisition of the assets is deducted from the acquisition cost of the assets.

1.9.2.6 Effective interest rate method

The EIR method is used in the calculation of the amortised cost of a financial liabilities and in the allocation of the interest expenses in Statement of profit or loss over the relevant period.

The EIR is the rate that exactly discounts estimated future cash outflows through the expected life of the financial liability to the gross carrying amount of the financial liability that shows the amortised cost of the financial liability (for more information see Note 1.9.2).

1.9.2.7 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in Statement of profit or loss.

1.9.3 Derivatives and hedge accounting

The Group enters into derivatives' transactions related to purchase and sale prices of electricity and gas and emission allowances forwards.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:
- there is 'an economic relationship' between the hedged item and the hedging instrument;
- the effect of credit risk does not 'dominate the value changes' that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item and the quantity of the hedging instrument.

1.9.3.1 Presentation

Fair value of derivatives is presented In the Statement of financial position as 'Other non-current assets' (Note 16.1), 'Other current assets' (Note 16.2), 'Other non-current and liabilities' and 'Other current liabilities' (Note 30).

Changes in fair value and result of settled derivatives for hedges that do not meet the qualifying criteria for hedge accounting are recognised in Statement of profit or loss either as 'Other income', if result for a period of such derivatives is profit, or 'Other expenses' if result of such derivatives for a period is loss (Note 31).

Changes in fair value and result of settled derivatives for hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

1.9.3.2 Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in Statement of financial position in the hedge reserve. Ineffective portion is recognised immediately in the Statement of profit or loss in 'Other income' or 'Other expenses' (accounting method is similar to derivatives that do not meet the hedge criteria – Note 1.9.3.1). The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

When cash flow hedges are realised, gain or losses are transferred from equity and recognised in Statement of profit or loss as "Purchases of electricity, gas and other services".

1.10 Put option arrangements

The Group uses anticipated-acquisition method for recognizing put option redemption liability (hereinafter – option).

The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within liabilities with a corresponding charge directly to non-controlling interest in equity. This is because the recognition of the financial liability implies that the interests subject to the option are deemed to have been acquired already.

Subsequently the value of liability is measured at FVTPL for purpose to present the redemption liability that is payable at the date at which the option first becomes exercisable. The change in fair value is presented in 'Financial expenses' of Statement of profit or loss. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to non-controlling interest in equity.

1.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method, except for natural gas and liquefied natural gas, the cost of which is determined using the weighted average costing method (see below). The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Group from the tax authorities), transportation, handling and other costs directly attributable to the acquisition of inventories. Cost does not include borrowings costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The weighted average price is calculated as the weighted average of the stock at the beginning of the month and the purchases during the month.

1.12 Emission allowances

Based on the European Union (hereinafter EU) Directive 2003/07/EC, the greenhouse gas emissions trading scheme was developed which came into force on 1 January 2005. The first period of operation of this scheme covered 3 years from 2005 to 2007; the second period covered 5 years from 2008 to 2012, and the third period covers 7 years from 2013 to 2020. From 2022 the fourth phase has started, which will last until 2030. The Scheme's operation period is in line with the period established under the Kyoto Agreement. The system functions on 'Cap' and 'Trade' basis.

The governments of the EU Member States are required to set caps for each emission unit in the scheme and for the period of implementation. These caps are specified in the National Allocation Plan (hereinafter referred to as 'NPP') to be developed by a responsible authority of each Member State (in Lithuania – the Ministry of Environment). NPP determines the annual emission amount (measured as tons of carbon dioxide equivalent) for each emission unit and each period and allocates annual emission allowances.

A Member State has an obligation to allocate emission allowances by 28 February of each year in accordance with the National Allocation Plan (part of the allowances is set aside for new entrants).

A Member State is to assure that an operator of each emission unit will submit data on the unit's actual amount of greenhouse gas emissions during the current calendar year not later than by 30 April of the next year.

1.12.1 Inventory

EU emission allowances are inventories that are dedicated by the state or are acquired by the Group. EU emission allowances acquired by the Group are recognized at cost. EU emission allowances dedicated by the state are recognized in the accounts at nominal (zero) value. The Group accounts for purchased and for free received emission allowances separately, their write-down to net realisable value is calculated if the market price becomes lower than the acquisition price.

1.12.2 Provision for emission allowances used

When the Group emits pollutants into the environment, it is obliged to pay for the pollution using the state permits, the nominal value of which would correspond to the amount of emitted pollutants. This liability is a provision that is measured at the value which correspond to amount of expenses that Group will incur to cover this obligation as at the date of the Statement of financial position. If the Group has acquired emission allowances, the value of the provision is equal to their carrying amount. If the actual amount of pollutants exceed the number of emission allowances available, an obligation to purchase additional emission allowances equal to the market value is accounted for. The obligation can only be covered with inventories if the amount of pollutants is approved by the responsible regulatory authority.

Changes in the value of a liability related to insufficient emission allowances are recognized in the Statement of profit or loss.

1.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the Statement of cash flows, cash and cash equivalents comprise cash on hand deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are presented under the caption 'Loans' in the Statement of financial position.

1.14 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

1.14.1 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

1.14.2 Group as a lessor in operating leases

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in the item "Other income" in Statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

1.15 Grants and subsidies

1.15.1 Asset-related grants

For presentation of grants related to assets the Group uses the method which recognises the grant as deferred income that is recognised in Statement of profit or loss on a systematic basis over the useful life of the asset. Government and the EU asset-related grants comprise grants received in the form of non-current assets or in the form of cash intended for the acquisition of non-current assets. Grants are initially recorded at the fair value of the asset received and subsequently recognised in Statement of profit or loss by reducing the depreciation charge of the related asset over the expected useful life of the asset. Liability related to received asset-related grants is presented in the Statement of financial position under the non-current liabilities' item "Grants and subsidies".

Upon the revaluation of non-current assets and in case impairment was recognised on revaluation, grants related to this non-current assets are written off in a respective proportion.

1.15.2 Income-related grants

Government and the EU grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant. Grants related to income are presented as part of Statement of profit or loss.

1.16 Provisions

Provisions are recognised when the Group have a legal obligation or irrevocable commitment as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Expenses related to provisions are recorded in Statement of profit or loss, net of compensation receivable. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. When discounting is applied, increase in the provisions reflecting the period of past time is accounted for as finance expense.

1.16.1 Provisions for servitudes

Costs related to provision for servitudes are recognised as intangible assets are measured at amounts to be compensated.

Payments of compensations to land owners are recorded as decreases of provision, while remeasurement of provision due to changes in underlying assumptions is recorded as a change in respective intangible asset (Note 1.6.3).

1.16.2 Provisions for registration of protection zones

Costs related to provision for registration of protection zones and compensations are recognised as intangible assets based on the amounts to be compensated.

Payments related to registration of protection zones are recorded as decreases of provision, while remeasurement of provision due to changes in underlying assumptions is recorded as change in respective intangible asset (Note 1.6.4).

1.17 Employee benefits

1.17.1 State plans

The Group participates only in State plans. State plans are established by legislation to cover all entities and are operated by national or local government or by another body (for example, in the case of the Group, the State Social Security Fund). State plans are defined benefit plan under which the Group pay fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. This contributions are recognised as an expense on an accrual basis and are included within remuneration expenses.

1.17.2 Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognise termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

1.17.3 Non-current employee benefits

Each employee of retirement age who terminates his/her employment with the Group upon retirement is entitled to receive a payment equal to 2 monthly salaries according to Lithuanian laws.
If an employee belongs to trade union, he/she is also entitled to additional retirement benefit according in accordance with the collective agreement. A liability for such pension benefits is recognised in the Statement of financial position and it reflects the present value of these benefits at the date of the Statement of financial position. The aforementioned non-current liability for pension benefits to employees at the reporting date is estimated with reference to actuarial valuations using the projected relative unit method. The present value of the defined non-current liability for pension benefits to employees is determined by discounting the estimated future cash flows using the effective interest rates as set for government bonds denominated in a currency in which the benefits will be paid to employees and that have maturity term similar to that of the related liability.

1.18 Fair value

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each Statement of financial position date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- in the principal market for the asset or liability,

or
- in the absence of principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1: fair value of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value of assets is based on other observable market data, directly or indirectly;
- Level 3: fair value of assets is based on non-observable market data.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Parent company's financial statements

Parent company's financial statements

Prepared for the year ended 31 December 2023 in accordance with International Financial Reporting Standards as adopted by the European Union

9.1 Statement of profit or loss

For the year ended 31 December 2023

EURm	Note	2023	2022
Revenue from contracts with customers	5	3.2	3.0
Other income		-	0.6
Dividend income	6	222.4	97.5
Total revenue and other income		225.6	101.1
Salaries and related expenses		(4.1)	(3.6)
Depreciation and amortisation		(2.2)	(1.9)
Other expenses	7	(6.4)	(5.0)
Total expenses		(12.7)	(10.5)
Operating profit		212.9	90.6
Finance income	8	82.5	41.0
Finance expenses	8	(29.5)	(25.9)
Finance activity, net		53.0	15.1
Profit (loss) before tax		265.9	105.7
Income tax (expenses)/benefit	9	(6.0)	(3.2)
Net profit for the year		259.9	102.5

Statement of comprehensive income

For the year ended 31 December 2023

EURm	Note	2023	2022
Net profit for the year		259.9	102.5
Total other comprehensive income (loss) for the year		-	-
Total comprehensive income (loss) for the year		259.9	102.5

9.2 Statement of financial position

As at 31 December 2023

EURm	Note	31 December 2023	31 December 2022
Assets			
Intangible assets		1.7	1.9
Property, plant and equipment		0.1	0.1
Right-of-use assets	10	16.9	15.7
Investment property		0.1	0.1
Investments in subsidiaries	11	1,388.2	1,255.2
Non-current receivables	12	1,558.8	1,530.1
Other financial assets	14	32.0	20.6
Non-current assets		2,997.8	2,823.7
Prepayments and deferred expenses		0.3	0.1
Trade receivables		0.3	0.8
Other receivables		-	0.9
Other financial assets	14	110.4	-
Other current assets		3.5	3.8
Current loans	13	329.6	227.8
Cash and cash equivalents	15	3.2	24.8
Current assets		447.3	258.2
Total assets		3,445.1	3,081.9
Equity and liabilities			
Share capital	16	1,616.4	1,616.4
Reserves	17	104.7	99.6
Reserve for treasury shares	17	37.7	37.7
Retained earnings		342.2	179.1
Equity		2,101.0	1,932.8
Non-current loans and bonds	18	1,156.1	1,113.1
Non-current lease liabilities	18	15.1	14.2
Deferred tax liabilities		3.2	1.4
Non-current liabilities		1,174.4	1,128.7
Loans	18	156.4	9.8
Lease liabilities	18	2.1	1.8
Trade payables		0.8	1.1
Income tax payable		3.3	1.8
Other current liabilities	19	7.1	5.9
Current liabilities		169.7	20.4
Total liabilities		1,344.1	1,149.1
Total equity and liabilities		3,445.1	3,081.9

9.3 Statement of changes in equity

For the year ended 31 December 2023

EURm	Note	Share capital	Treasury shares	Legal reserve	Treasury shares reserve	Retained earnings	Total
Balance as at 1 January 2022		1,658.8	(23.0)	88.1	23.0	186.4	1,933.3
Net profit for the year		-	-	-	-	102.5	102.5
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income (loss) for the year		-	-	-	-	102.5	102.5
Transfer to reserves to acquire treasury shares	17.2	-	-	-	14.7	(14.7)	-
Treasury shares acquired	16.3	-	(10.0)	-	-	(4.3)	(14.3)
Transfers to legal reserve	17.1	-	-	11.5	-	(11.5)	-
Dividends	6.1	-	-	-	-	(89.0)	(89.0)
Share capital reduction	16.4	(42.4)	33.0	-	-	9.4	-
Other movement		-	-	-	-	0.3	0.3
Balance as at 31 December 2022		1.616.4	-	99.6	37.7	179.1	1,932.8
Balance as at 1 January 2023		1.616.4	-	99.6	37.7	179.1	1,932.8
Net profit for the year		-	-	-	-	259.9	259.9
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income (loss) for the year		-	-	-	-	259.9	259.9
Transfers to legal reserve	17.1	-	-	5.1	-	(5.1)	-
Dividends	6.1	-	-	-	-	(91.7)	(91.7)
Balance as at 31 December 2023		1.616.4	-	104.7	37.7	342.2	2,101.0

9.4 Statement of cash flows

For the year ended 31 December 2023

EURm	Note	2023	2022
Net profit for the year		259.9	102.5
Adjustments for:			
Depreciation and amortisation expenses		2.2	1.9
Fair value changes of financial instruments	14	(16.7)	6.2
Income tax expenses/(income)	9	6.0	3.3
Other expenses/(income) of investing activities		(0.1)	(0.6)
Interest income	8	(65.7)	(41.0)
Interest expenses	8	28.6	21.8
Dividend income	6	(222.4)	(97.5)
Other expenses/(income) of financing activities		0.9	(2.2)
Changes in working capital:			
(Increase)/decrease in trade receivables and other receivables		0.9	83.2
(Increase)/decrease in prepayments and deferred expenses and other current assets		0.1	16.2
Increase/(decrease) in trade payables and other current liabilities		2.2	0.9
Income tax (paid)/received		(2.2)	0.5
Net cash flows from (to) operating activities		(6.3)	95.2
Acquisition of property, plant and equipment and intangible assets		(0.1)	(0.1)
Proceeds from sale of intangible assets		0.2	-
Loans granted		(519.5)	(543.0)
Loan repayments received		540.2	20.8
Investments into subsidiaries		(230.9)	-
Interest received	8	62.3	31.8
Dividends received	6	222.4	197.9
Return of capital from subsidiaries	11	97.9	1.2
(Increase)/decrease of short-term deposits	18	(109.0)	-
Investments in/return from investment funds	14.1	5.3	(1.7)
Net cash flows from investing activities		68.8	(293.1)
Loans received	18	270.7	223.0
Repayments of loans	18	(244.8)	-
Overdrafts net change	18	12.5	-
Lease payments	18	(1.9)	(1.7)
Interest paid	18	(26.1)	(19.5)
Dividends paid	6	(91.7)	(87.8)
Dividends returned		-	0.3
Treasury shares acquisition		-	(14.3)
Other increases/(decreases) in cash flows from financing activities		(2.8)	(2.6)
Net cash flows from financing activities		(84.1)	97.4
Increase/(decrease) in cash and cash equivalents		(21.6)	(100.5)
Cash and cash equivalents at the beginning of the year	15	24.8	125.3
Cash and cash equivalents at the end of the year	15	3.2	24.8

9.5 Notes

For the year ended 31 December 2023

1 General information

AB "Ignitis grupė" (hereinafter – the parent company) is a public limited liability company registered in the Republic of Lithuania. The parent company's registered office address is Laisvės Ave. 10, LT-04215, Vilnius, Lithuania. The parent company was registered on 28 August 2008 with the Register of Legal Entities managed by the State Enterprise Centre of Registers. The parent company's code is 301844044. The parent company has been founded for an indefinite period.

AB "Ignitis grupė" is a parent company, which is responsible for the management and coordination of activities of the group of companies it controls directly (Note 10) and the group of companies it controls indirectly through its subsidiary UAB "Ignitis renewables". The parent company and its directly and indirectly controlled subsidiaries are hereinafter collectively referred to as 'the Group'. The Group's core business is focused on operating Lithuania's electricity distribution network (Networks) and managing and developing its Green Generation Portfolio (Green Generation). The Group also manages strategically important reserve capacities (Reserve Capacities) and provides services to its customers (Customers & Solutions), including the supply of electricity and natural gas, solar, e-mobility, energy efficiency and innovative energy solutions for private and business customers.

The parent company analyses the activities of the Group companies, represents the whole Group, implements its shareholders' rights and obligations, defines operation guidelines and rules, and coordinates the activities in the fields of finance, law, strategy and development, human resources, risk management, audit, technology, communication, etc.

The parent company seeks to ensure effective operation of the Group companies, implementation of goals set forth in the National Energy Independence Strategy and other legal acts that are related to the Group's activities, ensuring that it creates sustainable value in a socially responsible manner.

The parent company's CEO is responsible for its preparation, while the parent company's Management Board considers and approves the integrated annual report. The Integrated Annual Report 2023, including consolidated and the parent company's financial statements, was considered and approved by the parent company's Management Board on 27 February 2024. The parent company's shareholders have a statutory right to either approve or refuse to approve these financial statements and require the management to prepare a new set of financial statements.

The Group also prepares consolidated annual financial statements in accordance with International Financial Reporting Standards (hereinafter referred to as 'IFRS') issued by International Accounting Standards Board (hereinafter referred to as 'IASB') and endorsed for application in the European Union.

2 Basis of preparation

2.1 Basis of accounting

These financial statements have been prepared in accordance with IFRS issued by IASB and endorsed for application in the European Union. The reporting period of these financial statements is one year ended 31 December 2023.

The parent company's financial statements as at and for the year ended 31 December 2023 (hereinafter referred to as 'financial statements') have been prepared on a going concern basis by applying the measurements based on historical cost (hereinafter referred to as 'acquisition costs'), except for certain financial instruments measured at fair value.

The financial statements provide comparative information in respect of the previous period.

Details of the Group's accounting policies, including changes thereto, are included in Note 3 and section 'Accompanying information' of these financial statements.

2.2 Functional and presentation currency

These financial statements are presented in euros, which is the parent company's functional currency and all values are rounded to the nearest million (EUR '000,000), except when indicated otherwise. These financial statements provide comparative information in respect of the previous period.

3 Changes in material accounting policies

3.1 Changes in accounting policy and disclosures

The accounting policies applied in the preparation of these financial statements are consistent with the accounting policies applied in the preparation of the parent company's annual financial statements for the year ended 31 December 2022, with the exception of the new standards which entered into force during the year of 2023. Accounting policies used in the preparation of the parent company's annual financial statements is provided in section 'Accompanying information' of these financial statements.

3.1.1 New standards, amendments and interpretations

3.1.1.1 Deferred tax related to assets and liabilities arising from a single transaction

The parent company has adopted *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS12)* from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities.

The parent company previously accounted for deferred tax on leases and decommissioning liabilities by applying the 'integrally linked' approach, resulting in similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the parent company has recognised a separate deferred tax asset in relation to its lease liabilities and deferred tax liability in relation to its right-of-use assets. However, there was no impact on the Statement of financial position because the balances were qualified for offset under paragraph 74 of IAS 12. There was no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the parent company relates to disclosure of the deferred tax assets and liabilities recognised.

3.1.1.2 Material accounting policy information

The parent company has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The management reviewed the accounting policies and updated the information disclosed in section 'Material accounting policies' of these financial statements.

4 Significant accounting estimates and judgments used in the preparation of the financial statements

While preparing these financial statements the management has made judgements and estimates about the future, including climate-related risks and opportunities that affect the application of the parent company's accounting policies and the reported amounts of assets, liabilities, income, costs and contingencies. Changes in the underlying assumptions of such estimates and judgements may have a material effect on financial statements in the future.

Estimates and judgements with underlying assumptions are reviewed on an ongoing basis and are consistent with the parent company's risk management and climate-related commitments, where appropriate. Revisions to the estimates and judgements are recognised prospectively.

Significant accounting estimates and judgements used in the preparation of the financial statements are described in this note. For other estimates and judgements used herein, refer to other notes of these financial statements.

Significant accounting estimates and judgments	Note	Estimate/judgement
Option agreement over UAB Kauno kogeneracinė jėgainė shares	11.3.1	Estimate/judgement
Impairment of investments in subsidiaries	11.3.2	Estimate
Investment funds – at FVTPL	14.2	Estimate/judgement
Estimating the incremental borrowing rate	18.3	Estimate

5 Revenue from contracts with customers

EURm	2023	2022
Management fee income	3.2	3.0
Total	3.2	3.0

The parent company's revenue from contracts with customers during 2023 and 2022 mainly comprised the revenue from advisory and management services provided to its subsidiaries.

The parent company did not present any segment-related information as there is only one segment.

All performance obligations of the parent company are settled over time.

The parent company's balances under the contracts with customers:

EURm	31 December 2023	31 December 2022
Trade receivables	0.3	0.8

6 Dividends

6.1 Dividends declared by the parent company

EURm	2023	2022
AB "Ignitis grupė"	91.7	89.0

In total, the parent company paid EUR 91.7 million in dividends in cash during 2023 (2022: EUR 87.8 million).

Dividends declared per share:

Declared on	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared EURm
September 2023	2023 I half-year	0.643	46.5
March 2023	2022 II half-year	0.624	45.2
Total declared during 2023		1.267	91,7
September 2022	2022 I half-year	0.624	45.2
March 2022	2021 II half-year	0.600	43.8
Total declared during 2022		1.224	89.0

6.2 Dividends received by the parent company

Dividends received by the parent company from the Group companies during the year 2023 are the following:

Declared at	Dividends declared by	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared	Dividend income attributable to the parent company	Dividends for non-controlling interest
21/03/2023	UAB Elektroninių mokėjimų agentūra	2022	0.5000	0.2	0.2	-
28/03/2023	AB "Energijos skirstymo operatorius"	2022	0.0324	29.0	29.0	-
17/04/2023	UAB Kauno kogeneracinė jėgainė	2022	0.7306	29.2	14.9	14.3
19/04/2023	UAB "Ignitis"	2022	0.1445	20.0	20.0	-
27/04/2023	UAB "Ignitis grupės paslaugų centras"	2022	0.0118	0.9	0.5	-
28/04/2023	AB "Ignitis gamyba"	2022	0.2410	156.2	156.2	-
16/05/2023	UAB "Transporto valdymas"	2022	19.6391	1.6	1.6	-
Total				237.1	222.4	14.3

Dividends received by the parent company from the Group companies during the year 2022 are the following:

Declared at	Dividends declared by	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared	Dividend income attributable to the parent company	Dividends for non-controlling interest
31/03/2022	UAB Elektroninių mokėjimų agentūra	2021	0.1931	0.2	0.2	-
29/04/2022	AB "Ignitis gamyba"	Q4 2021	0.0680	44.0	44.0	-
29/04/2022	AB "Energijos skirstymo operatorius"	2021	0.0559	50.0	50.0	-
29/04/2022	UAB "Ignitis grupės paslaugų centras"	2021	0.0173	0.7	0.4	-
10/05/2022	UAB "Gamybos optimizavimas"	2021	0.1457	0.1	0.1	-
23/05/2022	UAB "Transporto valdymas"	2021	12.8514	1.0	1.0	-
23/05/2022	UAB "Ignitis renewables"	2021	80.7850	1.8	1.8	-
Total				97.8	97.5	-

7 Other expenses

EURm	2023	2022[1]
Communication	1.5	1.0
Finance and accounting	1.1	0.8
People and culture	1.1	0.8
Legal	0.6	0.5
Other expenses	2.1	1.9
Total	6.4	5.0

8 Finance activity

EURm	2023	2022
Finance income		
Interest income at the effective interest rate	65.7	41.0
Investment funds – at FVTPL (Note 14.2)	16.7	-
Other income from financing activities	0.1	-
Total finance income	82.5	41.0
Finance expenses		
Interest expenses	28.6	21.8
Other expenses of financing activities	0.9	4.1
Total finance expenses	29.5	25.9
Finance activity, net	53.0	15.1

The parent company earns interest income from the long-term and short-term loans, the majority of which is granted to the Group companies (Note 12, 13). During the year 2023, the parent company received interests for amount EUR 62.3 million (in 2022: EUR 31.8 million) and paid interests for amount EUR 26.1 million (in 2022: EUR 19.5 million) in cash. Interest received and paid are presented in the Statement of cash flows accordingly under 'Interest received' and "Interest paid".

9 Income taxes

9.1 Amounts recognised in profit or loss

EURm	2023	2022
Income tax expenses (benefit) for the reporting period	4.2	1.8
Deferred tax expenses (benefit)	1.8	1.4
Income tax expenses (benefit) recognised in profit or loss	6.0	3.2

9.2 Reconciliation of effective tax rate

Income tax on the parent company's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the parent company:

EURm	2023	2023	2022	2022
Profit (loss) before tax		265.9		105.7
Income tax expenses (benefit) at tax rate of 15%	15.00%	39.9	15.00%	15.9
Non-taxable income and non-deductible expenses	(12.74%)	(33.9)	(11.98%)	(12.7)
Income tax expenses (benefit)	2.26%	6.0	3.02%	3.2

10 Right-of-use assets

EURm	Buildings	Vehicles	Total
31 December 2021			
Acquisition cost	18.0	0.2	18.2
Accumulated depreciation	(0.5)	(0.1)	(0.6)
Carrying amount	17.5	0.1	17.6
Carrying amount as at 1 January 2022	17.5	0.1	17.6
Depreciation	(1.8)	(0.1)	(1.9)
Carrying amount as at 31 December 2022	15.7	-	15.7
31 December 2022			
Acquisition cost	18.0	0.2	18.2
Accumulated depreciation	(2.3)	(0.2)	(2.5)
Carrying amount	15.7	-	15.7
Carrying amount at 1 January 2023	15.7	-	15.7
Additions	2.8	0.1	2.9
Remeasurement of right-of-use assets	0.4	-	0.4
Depreciation	(2.1)	-	(2.1)
Carrying amount	16.8	0.1	16.9
31 December 2023			
Acquisition cost	18.9	0.1	19.0
Accumulated depreciation	(2.1)	-	(2.1)
Carrying amount	16.8	0.1	16.9

The parent company's right-of-use assets mainly consist of a contract for leasing the office premises. Its validity term is until the year 2031.

10.1 Expenses related to lease agreements recognised in Statement of profit or loss

EURm	2023	2022
Depreciation	2.1	1.8
Interest charges	0.3	0.2
Expenses related to short-term leases (other expenses)	-	0.1
Lease expenses, total	2.4	2.1

10.2 Future expenses related to lease agreements

EURm	31 December 2023	31 December 2022
Future expenses related to short-term leases	0.1	0.1
Leases not yet commenced to which the lessee is committed	-	-
Future lease expenses, total	0.1	0.1

11 Investments in subsidiaries

Information on the parent company's investments in subsidiaries as at 31 December 2023 is provided below:

EURm	Acquisition cost	Impairment	Carrying amount	Company's ownership interest, %	Group's effective ownership interest, %
Subsidiaries:					
AB "Energijos skirstymo operatorius"	750.4	-	750.4	100.00	100.00
AB "Ignitis gamyba"	223.3	-	223.3	100.00	100.00
UAB "Ignitis renewables"	183.2	-	183.2	100.00	100.00
UAB "Ignitis"	142.1	-	142.1	100.00	100.00
UAB Vilniaus kogeneracinė jėgainė	52.3	-	52.3	100.00	100.00
UAB Kauno kogeneracinė jėgainė	20.4	-	20.4	51.00	51.00
UAB "Ignitis grupės paslaugų centras"	12.9	-	12.9	100.00	100.00
UAB "Transporto valdymas"	2.4	-	2.4	100.00	100.00
UAB Elektroninių mokėjimų agentūra	0.8	-	0.8	100.00	100.00
UAB "Gamybos optimizavimas"	0.4	-	0.4	100.00	100.00
	1,388.2	-	1,388.2		

Information on the parent company's investments in subsidiaries as at 31 December 2022 is provided below:

EURm	Acquisition cost	Impairment	Carrying amount	Company's ownership interest, %	Group's effective ownership interest, %
Subsidiaries:					
AB "Energijos skirstymo operatorius"	750.4	-	750.4	100.00	100.00
AB "Ignitis gamyba"	321.2	-	321.2	100.00	100.00
UAB "Ignitis renewables"	54.2	-	54.2	100.00	100.00
UAB Vilniaus kogeneracinė jėgainė	52.3	-	52.3	100.00	100.00
UAB "Ignitis"	47.1	-	47.1	100.00	100.00
UAB Kauno kogeneracinė jėgainė	20.4	-	20.4	51.00	51.00
UAB "Ignitis grupės paslaugų centras"	6.0	-	6.0	50.47	100.00
UAB "Transporto valdymas"	2.4	-	2.4	100.00	100.00
UAB Elektroninių mokėjimų agentūra	0.8	-	0.8	100.00	100.00
UAB "Gamybos optimizavimas"	0.4	-	0.4	100.00	100.00
	1,255.2	-	1,255.2		

Movement of the parent company's investments during the year was as follows:

EURm	2023	2022
Carrying amount at 1 January	1,255.2	1,255.9
Acquisition of shares from non-controlling interest	6.9	-
Write-off of investments	-	(0.1)
Share capital and share premium increase in subsidiaries	224.0	-
Share capital decrease in subsidiaries	(97.9)	(0.6)
Carrying amount at 31 December	1,388.2	1,255.2

11.1 Impairment test for investments into subsidiaries

The parent company did not find any impairment indications for investments in subsidiaries as at 31 December 2023 except in investment into subsidiary UAB "Ignitis". As at 31 December 2023 the parent company performed impairment test for the investment into subsidiary UAB "Ignitis" (Note 11.3.2). The impairment test did not show any impairment for investment into subsidiary UAB "Ignitis".

UAB "Ignitis"

The following key assumptions were used in impairment test in 2023:
1. the cash flow forecast covered the period until 2032;
2. a discount rate of 7.4% (post-tax) (8.6% pre-tax) was applied to calculate the discounted cash flows;
3. terminal growth rate in year 2032 set at 2.0%
4. valuation includes consolidated operations and cashflow generated by UAB "Ignitis" and its subsidiaries across the Baltics, Poland and Finland;
5. overall business activities gradually transition towards the electricity energy based products which is in line with the Group's long term strategy;
6. significant increase of investments is anticipated due to planned expansion of EV charging stations network across the Baltic states.

The parent company exercised the fair value assessment analysis of unobservable inputs variation, relying on sensitivity of variation of discount rate (WACC). The possible recoverable amount changes due to variation of this input is disclosed in table below (EUR million):

	WACC (post-tax)						
	7.1%	7.2%	7.3%	7.4%	7.5%	7.6%	7.7%
Δ	(0.3%)	(0.2%)	(0.1%)	(0.0%)	0.1%	0.2%	0.3%
Change in recoverable amount	21.7	14.2	7.0	-	(6.7)	(13.1)	(19.3)

11.2 Cash flows from investments in subsidiaries

Reconciliation of cash flows from the parent company's investments into subsidiaries with the data reported in the Statement of cash flows:

EURm	31 December 2023	31 December 2022
Share capital and share premium increase in subsidiaries	(224.0)	-
Return of capital from subsidiaries	97.9	1.2
Buyout of shares in subsidiaries	(6.9)	-
Total	(133.0)	1.2

11.3 Significant accounting estimates and judgements

11.3.1 Option agreement over UAB Kauno kogeneracinė jėgainė shares

As at 31 December 2023, the parent company held 51% of shares in UAB Kauno kogeneracinė jėgainė (hereinafter 'Kaunas CHP'), and the remaining 49% of shares was held by UAB Gren Lietuva.

Both shareholders have signed a Shareholders' Agreement which states that the key decisions over the business should be made unanimously by the shareholders and/or by the Board, which consists of equal number of representatives from both shareholders and one independent member. If the shareholders fail to reach the consensus on the deadlock situation, the parent company has an option to buy (call option) all the shares of Kaunas CHP held by UAB Gren Lietuva and thus, whereas UAB Gren Lietuva has an option to sell (put option) to the parent company its shareholdings in Kaunas CHP for the price the calculation of which is defined in the Shareholders' Agreement.

In the view of the parent company's management, the call option is a derivative instrument. The option is exercisable at the amount which approximates fair value of the underlying shares at the date of exercise (both put and call options). In the management's view, the fair value of the derivative is not significant.

11.3.2 Impairment of investments

On 31 December 2023, the parent company carried out an analysis to determine the existence of indications of impairment for investments into subsidiaries. The parent company considered information from external and internal sources of information.

For the purpose of determining the impairment indications, it is assessed whether at least one of the following conditions exists (except for the early-stage companies):
1. the actual Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) is lower than the budgeted Adjusted EBITDA;
2. the actual Adjusted Net Profit is lower than the actual dividends paid;
3. the carrying amount of investments is higher than the carrying amount of net assets.

In case at least one above mentioned condition existed before performing the impairment tests, additional analysis was performed, helping to determine whether the current conditions show any impairment indications.

Additionally, the management assessed whether, during the reporting period, there have been no significant adverse changes in the technological, market, economic and legal environment in which the subsidiaries operate.

The management did not find any impairment indications in all investments, except investment into subsidiary UAB "Ignitis". Having found impairment indications in investment into subsidiary UAB "Ignitis" the parent company performed an impairment test as subsidiary incurred net loss for the financial year. The impairment test showed no additional impairment is needed for investment into subsidiary UAB "Ignitis" as at 31 December 2023 (Note 11.1.

12 Non-current receivables

EURm	31 December 2023	31 December 2022
Loans granted	1,558.8	1,530.1
Total	1,558.8	1,530.1
Less: loss allowance	-	-
Carrying amount	1,558.8	1,530.1

12.1 Expected credit losses of loans granted and other non-current receivables

As at 31 December 2023, the parent company assessed whether credit risk of recipients of non-current and current loans has increased significantly and did not establish any indications and has no information indicating that the credit risk of loan recipients on an individual basis has increased significantly. Therefore, no lifetime expected credit loss was recognised neither for non-current nor for current loans granted (Note 12.2, 13).

12.2 Loans granted

The parent company's loans granted comprised the loans granted to subsidiaries.

EURm	31 December 2023	31 December 2022
Within one year	329.6	227.8
From 1 to 2 years	7.9	7.9
From 2 to 5 years	226.6	247.4
After 5 years	1,324.3	1,274.8
Carrying amount	1,888.4	1,757.9

13 Current loans

EURm	31 December 2023	31 December 2022
Cash-pool loans	146.2	197.5
Current loans	150.5	-
Current portion of non-current loans	32.9	30.3
Total	329.6	227.8
Less loss allowance	-	-
Carrying amount	329.6	227.8

14 Other financial assets

EURm	31 December 2023	31 December 2022
Other non-current financial assets		
Investment funds – at FVTPL	32.0	20.6
Carrying amount	32.0	20.6
Other current financial assets		
Short-term deposits	110.4	-
Carrying amount	110.4	-

14.1 Movement of fair value in investment funds

EURm	31 December 2023	31 December 2022
Carrying amount	20.6	25.1
Additional investments (Smart Energy Fund)	0.3	1.7
Additional investments (World fund)	10.0	-
Return from investments (Smart Energy Fund)	(15.6)	-
Change in fair value (World Fund)	(0.4)	-
Change in fair value (Smart Energy Fund)	17.1	(6.2)
Carrying amount	32.0	20.6

14.2 Significant accounting estimates: Investment funds – at FVTPL

The parent company has invested into investment funds. The funds are managed by independent entities (managers), which are responsible for the investment decisions. Accordingly, in the parent company's management's view, the parent company does not have the power to manage the activities of the funds and does not have the control over them.

As at 31 December 2023, the carrying value of the Smart Energy Fund amounted to EUR 22.4 million, the carrying value of the World Fund amounted to EUR 9.6 million.

The fair value of the fund was determined by reference to the exits of investments, new investment rounds or other recent events and data (Note 1.12 of 8.7 Accompanying information).

The fair value of the funds corresponds to Level 3 in the fair value hierarchy.

15 Cash and cash equivalents

EURm	31 December 2023	31 December 2022
Cash balances in bank accounts	3.2	24.8
Total	3.2	24.8

As at 31 December 2023 and 2022, cash and cash equivalents comprised cash in banks.

The fair values of cash and cash equivalents as at 31 December 2023 and 2022 approximated their carrying amounts. The parent company has no pledged current and future cash inflows.

16 Equity

16.1 Capital management

For the purpose of capital management, the management uses equity as reported in the Statement of financial position.

Pursuant to the Republic of Lithuania Law on Companies, the issued capital of a public limited liability company must be not lower than EUR 25 thousand and the shareholders' equity must be not lower than 50% of the company's issued capital. As at 31 December 2023 and 2022, the parent company has met the requirements of capital regulation.

16.2 Share capital

	31 December 2023		31 December 2022	
Shareholders of the parent company	Share capital, in EURm	%	Share capital, in EURm	%
Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania	1,212.2	74.99	1,212.2	74.99
Other shareholders	404.2	25.01	404.2	25.01
	1,616.4		1,616.4	

As at 31 December 2023, the parent company's share capital comprised EUR 1,616.4 million (31 December 2022: 1,616.4 million) and was divided into 72,388,960 ordinary registered shares with a EUR 22.33 nominal value per share (31 December 2022: 72,388,960 ordinary registered shares with a EUR 22.33 value per share).

Reconciliation of the number of shares at the beginning and at the end of the year:

	2023	2022
Number of authorised shares as at 1 January	72,388,960	74,283,757
Reduction of ordinary shares (Note 16.4)	-	(1,894,797)
Number of authorised shares as at 31 December	72,388,960	72,388,960

16.3 Treasury shares

On 19–27 April 2023, the parent company has conducted an acquisition of ordinary registered shares (hereinafter – ORS or treasury shares) through the auction for tender offers of AB "Nasdaq Vilnius" stock exchange, with SEB bankas, AB acting as an intermediary. Treasury shares were acquired on 29 April 2023, when the right of ownership was transferred to the parent company. Share purchase price was EUR 15.30 per share, the number of shares acquired was 651,554 and the total value of the treasury shares acquired was EUR 10.0 million. Afterwards, a fee for stabilization-related services to a stabilisation manager, Swedbank AB, was paid for an amount of EUR 4.3 million, which was recognised in retained earnings. As the price at which the stabilized securities were sold through the above mentioned public tender offer was lower than the price at which the stabilized securities were purchased, the parent company has paid the difference to the stabilization manager.

In 2023 the parent company has annulled all the treasury shares acquired (Note 16.4).

16.4 Share capital reduction

On 9 August 2022, the parent company's share capital was reduced by annulling the ORS acquired by the parent company in relation to the stabilisation that occurred after the initial public offering (hereinafter – IPO) of 5 October 2020. During the reduction of the parent company's share capital, 1,894,797 units of the parent company's ORS with a nominal value of EUR 22.33 each, which were acquired by the parent company itself, were annulled. The total nominal value of the annulled ORS is EUR 42,4 million. Accordingly, the parent company's share capital decreased from EUR 1,658.8 million to EUR 1,616.4 million and the total number of ORS decreased from 74,283,757 units to 72,388,960 units.

Due to the reduction of the parent company's share capital, the free float of ORS decreased to 25.01% (from 26.92% at the time of the parent company's IPO). A share of securities held by each shareholder has also increased proportionally, including that of the majority shareholder (the Republic of Lithuania implementing the shareholder's will, i.e., the Ministry of Finance of the Republic of Lithuania) whose securities portfolio amounts to 74.99% (increased from 73.08%).

17 Reserves

17.1 Legal reserve

The legal reserve is a compulsory reserve under the Lithuanian legislation. Companies in Lithuania are required to transfer at least 5% of net profit from distributable profit until the total reserve reaches 10% of the issued capital. The legal reserve shall not be used for payment of dividends and is formed to cover future losses only. The parent company's legal reserve as at 31 December 2023 and 2022 was not fully formed

17.2 Treasury shares reserve

At the Annual General Meeting of Shareholders held on 29 March 2022 it was decided to form an additional reserve of EUR 14.7 million for the acquisition of treasury shares in 2022 (Note 16.3). As at 31 December 2023 the treasury shares reserve amounted to EUR 37.7 million. The treasury shares reserve can be dissolved only by the decision of the Annual General Meeting of Shareholders .

18 Financing

18.1 Loans and bonds

EURm	31 December 2023	31 December 2022
Non-current		
Bonds issued	891.8	890.1
Bank loans	264.3	223.0
Current		
Current portion of non-current loans	9.6	-
Current loans	134.3	9.8
Bank overdrafts	12.5	-
Total loans and bonds	1,312.5	1,122.9

Loans and bonds by maturity:

EURm	31 December 2023	31 December 2022
Up to 1 year	156.4	9.8
From 1 to 2 years	84.7	150.0
From 2 to 5 years	641.1	297.0
After 5 years	430.3	666.1
Total	1,312.5	1,122.9

Loans and bonds are denominated in euros.

18.1.1 Covenants

The loan agreements provide for financial and non-financial covenants that the parent company is obliged to comply with. The parent company complied with the covenants as at 31 December 2023 and 2022.

18.2 Net Debt

Net Debt is a non-IFRS liquidity metric used to determine the value of debt against highly liquid assets owned by the parent company. Only debts to financial institutions, issued bonds and related interest payables and lease liabilities are included in the Net Debt calculation. The management defines the Net Debt measure for the purpose of these financial statements in the manner as presented below.

Net debt balances:

EURm	31 December 2023	31 December 2022
Cash and cash equivalents	(3.2)	(24.8)
Short-term deposits	(110.4)	-
Non-current loans and bonds	1,156.1	1,113.1
Current loans	143.9	9.8
Bank overdrafts	12.5	-
Lease liabilities	17.2	16.0
Net Debt	1,216.1	1,114.1

18.2.1 Reconciliation of the parent company's Net Debt balances cash flows from financing activities

	Loans and bonds		Lease liabilities		Assets		
EURm	Non-current	Current	Non-current	Current	Cash and cash equivalents	Short-term deposits	Total
Net Debt at 1 January 2022	888.5	9.1	16.0	1.8	(125.3)	-	790.1
Cash changes					-	-	
Increase (decrease) in cash and cash equivalents	-	-	-	-	100.5	-	100.5
Loans received	223.0	-	-	-	-	-	223.0
Lease payments	-	-	-	(1.7)	-	-	(1.7)
Interest paid	-	(19.2)	-	(0.3)	-	-	(19.5)
Non-cash changes							
Accrual of interest payable	1.6	19.9	-	0.2	-	-	21.7
Reclassifications between items	-	-	(1.8)	1.8	-	-	-
Net Debt at 31 December 2022	1,113.1	9.8	14.2	1.8	(24.8)	-	1,114.1
Net Debt at 1 January 2023	1,113.1	9.8	14.2	1.8	(24.8)	-	1,114.1
Cash changes							
(Increase) decrease in cash and cash equivalents	-	-	-	-	21.6	(109.0)	(87.4)
Loans received	198.6	72.1	-	-	-	-	270.7
Repayments of loans	(150.1)	(94.7)	-	-	-	-	(244.8)
Overdrafts net change	-	12.5	-	-	-	-	12.5
Lease payments	-	-	-	(1.9)	-	-	(1.9)
Interest paid	-	(25.8)	-	(0.3)	-	-	(26.1)
Non-cash changes						-	
Loan contracts concluded	-	148.7	-	-	-	-	148.7
Lease contracts concluded	-	-	2.8	0.3	-	-	3.1
Accrual of interest receivable	-	-	-	-	-	(1.4)	(1.4)
Accrual of interest payable	1.7	26.6	-	0.3	-	-	28.6
Reclassifications between items	(7.2)	7.2	(1.9)	1.9	-	-	-
Net Debt at 31 December 2023	1,156.1	156.4	15.1	2.1	(3.2)	(110.4)	1,216.1

18.3 Significant accounting estimates and judgements

The parent company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (hereinafter 'IBR') to measure the lease liabilities. The IBR is the rate of interest that the parent company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain the asset of a similar value to the right-of-use asset in a similar economic environment. The major lease contracts that were recognised during 2023 by the parent company are for buildings. To measure the lease liability of those contracts, the 4.19% incremental borrowing rate was used.

19 Other current liabilities

EURm	31 December 2023	31 December 2022
Irrevocable commitment to acquire a minority interest	3.5	3.6
Personal income tax payable from bonds interest	1.4	1.4
Payroll related liabilities	1.0	0.7
Taxes (other than income tax)	1.1	-
Accrued expenses	0.1	0.1
Other current liabilities	-	0.1
Carrying amount	7.1	5.9

Financial liabilities comprise EUR 4.9 million of the total Other current liabilities (EUR 5.1 million as at 31 December 2022). Accrued expenses, taxes and payroll related liabilities are not financial liabilities.

20 Contingent liabilities and commitments

20.1 Guarantees issued and received by the parent company

20.1.1 Issued guarantees related to loans

The parent company's guarantees issued in respect of loans received by the subsidiaries were as follows:

Beneficiary of the guarantee	Maximum amount of the guarantee	31 December 2023[1]	31 December 2022
Banks	531.0	288.4	216.1
Group companies	-	-	6.0
Total	531.0	288.4	222.1

[1] *The amount which should be covered by the parent company in case an entity could not perform its obligations.*

20.1.2 Other issued guarantees

The parent company has provided the following other guarantees for its subsidiaries:

Beneficiary of the guarantee	Maximum amount of the guarantee	31 December 2023[2]	31 December 2022[2]
Banks	75.2	75.2	28.9
Other companies	826.3	46,7	128.0
Total	901.5	121.9	156.9

[2] *The amount which should be covered by the parent company in case an entity could not perform its obligations.*

The parent company has issued guarantees for its subsidiaries as they entered into supply and installation agreements with wind turbine equipment suppliers. The parent company undertakes and guarantees the performance of all payment obligations under the agreements concluded. The maximum amount of guarantees EUR 497.8 million as at 31 December 2023 (31 December 2022: EUR 83.4 million).

20.2 Litigations

There were no significant litigations as at 31 December 2023.

21 Related-party transactions

Related parties are defined as follow:
- the Group companies;
- the parent company's controlling shareholders or those who have significant influence;
- associated companies;
- state controlled companies and their subsidiaries (only significant transactions are being disclosed with such companies);
- the Ministry of Finance of the Republic of Lithuania along with agencies and enterprises that are attributable to the governance of the decisions (only significant transactions are being disclosed with such companies);
- the key management personnel and close members of that personnel's family and their controlled enterprises and companies.

In 2023 and 2022, the parent company did not conclude any asset investment, acquisition, transfer, lease, pledge and mortgage, obligation fulfilment surety or guarantee transactions with a related party under normal market conditions during normal economic activity which exceed 1/10 of the parent company's assets provided in the Statement of financial position.

The table below summarises the main types of transactions carried out with related parties:

Related parties	Relationship	Nature of main transactions
Subsidiaries	Directly and indirectly controlled subsidiaries	Provision of financing, provision of management services, purchases of business support services

The parent company's transactions with related parties as at 31 December were as follows:

Related parties, EURm	Accounts Receivable 31 December 2023	Loans Receivable 31 December 2023	Accounts Payable 31 December 2023	Sales 2023	Purchases 2023	Finance income 2023	Finance cost 2023
Subsidiaries	0.3	1,888.4	0.4	3.4	3.9	57.3	0.5
Total	0.3	1,888.4	0.4	3.4	3.9	57.3	0.5

Related parties, EURm	Accounts Receivable 31 December 2022	Loans Receivable 31 December 2022	Accounts Payable 31 December 2022	Sales 2022	Purchases 2022	Finance income 2022	Finance cost 2022
Subsidiaries	0.8	1,757.9	0.4	3.0	2.4	41.0	-
Total	0.8	1,757.9	0.4	3.0	2.4	41.0	-

The parent company's dividend income received from its subsidiaries during the year 2023 and 2022 is disclosed in Note 6.

As at 31 December 2023, the parent company has issued guarantees for financial loans to its subsidiaries (Note 20.1) and provided comfort letters (Note 20.1).Loans provided to subsidiaries are disclosed in Notes 12.2 and 13.

21.1 Compensation to key management personnel

EURm	2023	2022
Wages and salaries and other short-term benefits to key management personnel	1.3	1.1
Whereof:		
Short -term benefits – wages, salaries and other	1.2	1.0
Other long-term benefits	0.1	-
Termination benefits	-	0.1
Number of key management personnel	12	12

In 2023 and 2022 members of the Management Board (incl. CEO), Supervisory Board and Chief Executive Officer were considered to be the Group's key management personnel. For more information on the key management personnel, see section '4 Governance report' of this Integrated Annual Report.

22 Risk management

Risks are a natural and integral part of business activities, and risk profile changes continuously. The parent company aims to mitigate its risks and reduce them to an acceptable level through risk management. This part describes only the management of the main financial risks. The management of other risks is presented in section '4 Governance report' of this Integrated Annual Report.

The parent company is exposed to a variety of financial risks in its operations:
- market risk;
- credit risk;
- liquidity risk.

In managing these risks, the parent company seeks to mitigate the impact of factors which could adversely affect the parent company's financial performance.

22.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The market risk comprises two types of risk:
- foreign currency exchange risk;
- interest rate risk.

22.1.1 Foreign currency exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.
The parent company' sale/purchase transactions are denominated in euros, therefore do not bear the risk of foreign exchange rate fluctuations.

22.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
The parent company's income and cash flows are affected by fluctuations in market interest rates because the loans granted had fixed and variable interest rates as at 31 December 2023, therefore, it is exposed to interest rate risk.

By assuming debt obligations, the parent company aims that the non-current liabilities would bear a fixed interest rate. If the fixing of the interest rate is not possible due to objective reasons and the liability assumed comprises a significant amount, the interest rate derivatives would be used for the purpose of interest management (the parent company did not use such derivatives during 2023 and 2022). The usage of any of the interest rate derivatives requires the expiry date of the derivative to correspond to the maturity date of the debt obligation.

The risk of adverse changes in the interest rate of the investment is not actively insured. Risk management measures are applied only when the market has obvious indications that the interest rate might significantly decrease, resulting in negative investment returns.

Variable-rate financial instruments include a loan received from a commercial bank in the amount of EUR 210.7 million and loans granted in the amount of EUR 179.5 million as at 31 December 2023 (as at 31 December 2022 a loan was received from a commercial bank in amount EUR 150.0 million and loans were granted in the amount EUR 67.3 million) (Note 12.2, 13, 18.1).

Interest rate risk is assessed in relation to the sensitivity of the parent company's profit to a potential shift in interest rates. This assessment is provided in the table below.

	Increase/decrease, pp	(Decrease)/increase in profit
2023	1.0/ (1.0)	0.3 / (0.3)
2022	1.0/ (1.0)	0.8 / (0.8)

22.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss.

The parent company's exposure to credit risk arises from operating activities (other amounts receivable) and from financing activities (granted loans).

As at 31 December 2023 and as at 31 December 2022, the parent company was not exposed to significant credit risk concentration related to other amounts receivable.

The parent company is exposed to credit risk concentration related to the loans granted (Note 12.2, 13), although all the loans granted are due from related parties (Note 21). A total of EUR 1,604.5 million in loans has been granted to two subsidiaries (31 December 2022: EUR 1,344.9 million). The parent company is evaluating cash flows and financial results of these related parties, no impairment is recognised for the investments into subsidiaries to related parties to which loans are granted. Due to the above, the parent company does not consider that the risk related to concentration of loans granted is significant.

The priority objective of the parent company's treasury management is to ensure the security of funds and maximise the return on investments in pursuit of this objective. The risk of counterparties defaulting is managed by entering into transactions with reliable financial institutions (or subsidiaries of such institutions with a long-term credit rating (in foreign currency, lower than 'A-', according to the rating agency Fitch Ratings (or an equivalent rating of other rating agencies.

The maximum exposure to credit risk is equal to the carrying amount of financial assets and the nominal value of guarantees issued.

EURm	Note	31 December 2023	31 December 2022
Financial assets measured at amortised cost:			
Trade receivables		0.3	0.8
Other current financial assets	14	110.4	-
Loans granted	12, 13	1,888.4	1,757.9
Cash and cash equivalents	15	3.2	24.8
Financial assets measured at FVTPL			
Investment funds - at FVTPL	14	32.0	20.6
Total		2,034.3	1,804.1
Off-balance sheet commitments:			
Open guarantees issued	20	410.3	379.4
Total		2,444.6	2,183.5

22.3 Liquidity risk

The liquidity risk is managed by planning future cash flows of the parent company and ensuring sufficient cash and the availability of funding through committed credit facilities and overdrafts to support the parent company's ordinary activities. The refinancing risk is managed by ensuring that loans over a certain period are repaid using the available cash, the cash flows expected from operating activities of the Group companies over that period and the unwithdrawn committed credit facilities which have to be repaid in later periods.

As at 31 December 2023, the parent company's current liquidity ratio (total current assets/total current liabilities) was 2.64 (31 December 2022 – 12.66). As at 31 December 2023, the parent company's balance of credit and overdraft facilities not withdrawn amounted to EUR 633.9 million (31 December 2022 – EUR 269.0 million).

To support the fulfilment of obligation of the Group companies to credit institutions and other creditors, the parent company issued guarantees in the amount of EUR 410.3 million as at 31 December 2023 (31 December 2022 – EUR 379.4 million) (Note 20.1).

The table below summarises the parent company's financial liabilities by category:

EURm	Note	31 December 2023	31 December 2022
Amounts payable measured at amortised cost			
Loans and bonds	18	1,312.4	1,122.9
Lease liabilities		17.3	16.0
Trade payables		0.8	1.1
Other current liabilities	19	4.9	5.1
Total		1,335.4	1,145.1

The table below summarises the maturity profile of the parent company's financial liabilities under the contracts (based on contractual undiscounted payments of interest-bearing financial liabilities and the carrying amounts of other financial liabilities):

	2023				Total
EURm	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	
Loans and bonds	63.3	92.1	982.0	430.2	1,567.6
Lease liabilities	-	2.4	12.0	4.1	18.5
Trade payables	0.8	-	-	-	0.8
Other current liabilities	-	4.9	-	-	4.9
Total	64.1	99.4	994.0	434.3	1,591.8

	2022				Total
EURm	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	
Loans and bonds	1.8	23.6	523.8	689.9	1,239.1
Lease liabilities	0.5	1.5	7.8	7.2	17.0
Trade payables	-	1.1	-	-	1.1
Other current liabilities	-	5.1	-	-	5.1
Total	2.3	31.3	531.6	697.1	1,262.3

22.4 Impact of climate change

The parent company pays special attention to reveal the potential impact of climate change and its related economic, transitional changes on the parent company's activities. This impact may arise from physical (extreme) weather phenomena and from the aspiration of states to switch to the Green Deal, which could cause additional requirements for the energy sector: to comply with new regulations, implement new technological solutions, manage reputational risks, respond to fast growing market demand for green solutions, etc.

Read more on the impact of climate change and parent company's approach on managing it in section '6.2 Environment' of Integrated Annual Report 2023.

Climate change and the transition to net zero have been considered in the preparation of these financial statements. While preparing these financial statements, the following has been considered:

Impact of climate change on investments in subsidiaries and loans granted

Each year the parent company assesses whether there are any impairment indications for investments in subsidiaries (Note 11.1). There were no indicators suggesting that the investment in subsidiaries have reduced in value. Significant impacts of climate change on the parent company's assumptions were used in estimating their recoverable value, and there is no need to perform the sensitivity analyses of the effects of climate risk within the assumptions made. Additionally, the parent company assessed whether the credit risk of subsidiaries has increased due to the climate change impact and did not establish any indications and has no information indicating that the credit risk of loan recipients on an individual basis has increased significantly. Thus, the parent company's management does not reasonably expect climate change to have a significant impact on the value of investments in subsidiaries and the loans' receivable amounts.

Impact of climate change on provisions for risks

The parent company's management does not believe that there are any provisions for risks or potential liabilities requiring consideration in the financial statements in connection with possible disputes, specific regulatory requirements aimed at mitigating environmental damages, sanctions connected with the failure to comply with environmental requirements, contracts that may become onerous or possible restructuring works aimed at achieving the climate objectives required.

The impact of future climate change regulations is not material on the currently reported amounts of the parent company's assets and liabilities.

23 Fair values of financial instruments

23.1 Financial instruments, measured at fair value

As at 31 December 2023 and 2022, the parent company has accounted for investments funds measured at FVTPL (Note 14). The fair value measurement of these financial assets is based on investment rounds. The fair value of these financial assets will change depending on the exits of investments, future investment rounds or other significant events. Their fair value corresponds to Level 3 of the fair value hierarchy.

23.2 Financial instruments for which fair value is disclosed

The carrying amount of the parent company's financial assets and financial liabilities measured at an amortised cost approximates to their fair value, excluding the issued bonds, loans received from commercial, state-owned banks and the loans granted. The measurement of the financial instruments related to the issued bonds, the loans received and the loans granted is attributed to Level 2 of the fair value hierarchy.

As at 31 December 2023 and 31 December 2022, the fair value of loans granted to its subsidiary AB "Energijos skirstymo operatorius" was estimated by discounting the cash flows with a market interest applied for a similar-period bond. The market interest rate for certain bonds' issues was determined as bond yields for the certain issued bonds. Cash flows were discounted using an average discount rate of 3.95% as at 31 December 2023 (31 December 2022: 5.01%). The measurement of financial instruments related to the loans granted to subsidiary AB "Energijos skirstymo operatorius" is attributed to Level 2 of the fair value hierarchy.

The fair value of loans granted to other Group companies was calculated by discounting the future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 6.42% as at 31 December 2023 (31 December 2022: 4.80%). The measurement of the financial instruments related to the loans granted is attributed to Level 2 of the fair value hierarchy.

The fair value of the parent company's issued bonds was calculated by discounting the future cash flows related to the coupon payments with reference to the interest rate observable in the market and the regular future payments related to the issued bonds. The cash flows were discounted using a weighted average discount rate of 3.95% as at 31 December 2023 (31 December 2022: 5.01%). The discount rates for certain issued bonds were determined as certain bond yields. The measurement of the fair value of issued bonds is attributed to Level 2 of the fair value hierarchy.

The fair value of loans received from commercial banks and state-owned banks was calculated by discounting the future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 6.57% as at 31 December 2023 (31 December 2022: 4.80%). The measurement of fair value of loans received from commercial and state-owned banks is attributed to Level 2 of the fair value hierarchy.

The table below presents allocation between the fair value hierarchy levels of the parent company's financial instruments as at 31 December 2023:

EURm	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observabl e inputs	Level 3 Unobser-vable inputs	Total
Financial instruments measured at FVTPL						
Assets						
Investment funds – at FVTPL	14	32.0	-	-	32.0	32.0
Financial instruments for which fair value is disclosed						
Assets						
Loans granted to other Group companies		1,263.4	-	1,092.8	-	1,092.8
Loans granted to subsidiary AB "Energijos skirstymo operatorius"		624.6	-	575.1	-	575.1
Liabilities						
Bonds issued		900.9	-	831.8	-	831.8
Loans received		411.5	-	320.9	-	320.9

The table below presents allocation between the fair value hierarchy levels of the company's financial instruments as at 31 December 2022:

EURm	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observabl e inputs	Level 3 Unobser-vable inputs	Total
Financial instruments measured at FVTPL						
Assets						
Investment funds – at FVTPL	14	20.6	-	-	20.6	20.6
Financial instruments for which fair value is disclosed						
Assets						
Loans granted to other Group companies		1,131.0	-	1,001.2	-	1,001.2
Loans granted to subsidiary AB "Energijos skirstymo operatorius"		624.6	-	535.9	-	535.9
Liabilities						
Bonds issued		899.3	-	774.3	-	774.3
Loans received		223.7	-	189.9	-	189.9

24 Events after the reporting period

24.1 Issued guarantees

On 26 January 2024, parent company has issued a guarantee in favour of AB Klaipėdos nafta for EUR 6.0 million. The guarantee is provided to guarantee the performance of obligations of a subsidiary.

There were no other significant events after the reporting period till the issue of these financial statements.

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9.6 Accompanying information

1 Material accounting policies

1.1 New standards, amendments and interpretations

1.1.1 Standards and their interpretations, announced and adopted by the European Union, effective for the current reporting period

The following are the new standards and/or amendments to the standards that have been approved by IASB and endorsed in the European Union during the year ended as at 31 December 2023. The adoption of these standards, revisions and interpretations had no material impact on the financial statements:

Standards or amendments that came into force during 2023
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS12)
Amendments to IAS 1 and IFRS Practice Statement 2
International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
Definition of Accounting Estimates (Amendments to IAS 8)
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)

1.1.2 Standards issued but not yet effective and not adopted early

While preparing these financial statements, the parent company did not adopt the new IFRS, International Accounting Standards (hereinafter referred to as 'IAS'), their amendments and interpretations issued by IASB, the effective date of which is later than 31 December 2023 and whose early adoption is permitted. The following are the new standards and/or amendments to the standards that have been issued but not yet effective:

Other standards

The following new and amended standards are not expected to have a significant impact on the financial statements.

Other new standards or amendments	IASB Effective date	EU Endorsement status
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024	Endorsed
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	1 January 2024	Endorsed
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements	1 January 2024	Not yet endorsed
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	1 January 2025	Not yet endorsed

1.2 Revenue from contracts with customers

The parent company, in its contracts with customers, identifies the performance obligations (stated either explicitly or implied) to transfer either distinct goods or services or series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. The promised goods or services represent a separate performance obligation if the goods or services are distinct. A promised good or service is considered distinct if both of the following criteria are met:

(i) the customer can benefit from the good or service on its own or with other readily available resources (i.e. distinct individually), and
(ii) the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract).

Revenue from contracts with customers is recognised when the control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the parent company expects to be entitled in exchange for those goods or services. Revenue is measured based on the consideration to which the parent company expects to be entitled in a contract with a customer and excludes the amounts collected on behalf of third parties.

For certain service contracts, revenue is recognised based on the actual service provided by the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. When recognising revenue, the parent company takes into consideration the terms of the contracts signed with its customers and all the significant facts and circumstances, including the nature, amount, timing and uncertainty relating to cash flows arising from the contract with the customer.

1.2.1 Management services

The parent company provides management services to its subsidiaries. The control of management services is transferred over time and, therefore, the parent company satisfies a performance obligation, and revenue is recognised over time. The parent company has concluded that it is the principal in its revenue arrangements.

For measuring a progress towards a complete satisfaction of a performance obligation, the parent company applies a practical expedient allowed by IFRS 15. As the parent company has a right to a consideration from a customer in an amount that corresponds directly with the value to the customer of the performance completed to date, the parent company recognises revenue in the amount to which it has a right to invoice. The parent company bills a fixed amount for each hour of service provided.

The payment term is 30 days from the date of invoice issued for the services rendered in the past month. The contract has no significant financing component as there is no significant length of time between the payment and the transfer of services.

After one calendar year of providing services, the parent company recalculates the price of the provided services, taking into account its actual costs incurred in providing these services to the customer and adjusts the amount payable by the customer accordingly.

1.2.2 Contract balances

1.2.2.1 Contract assets and contract liabilities

The timing of satisfaction of the parent company's performance obligation and a typical timing of payment is determined according to a service report, which is reviewed and approved by the customer. After approval, the services are recognised as completely rendered to the customer. During the reporting period the parent company had no contract liability or contract assets.

1.2.2.2 Receivables

A receivable is recognised if an amount of the consideration that is unconditional is due from the customer (i.e., only the passage of time is required before the payment of the consideration is due). For more, refer to the accounting policies of financial assets in Note 1.7.1.

1.3 Dividend income

Dividend income is recognised after the shareholders' rights to receive payment have been established. The dividends received are attributed to the investment activities in the Statement of cash flows.

1.3.1 Current and deferred tax for the reporting period

Current and deferred tax are recognised as income or expenses and included in net profit or loss for the reporting period, except for the cases when the tax arises from a transaction or event that is recognised directly in equity or other comprehensive income in the same or subsequent period or on a business combination.

1.4 Right-of-use assets

Right-of-use asset is the asset that reflects the right of the parent company to use the leased asset over the life of a lease. The parent company recognises a right-of-use asset for all types of leases, including leases of right-of-use assets in sublease, with the exception of leases of intangible assets, short-term leases and leases for which the underlying asset is of low value.

1.4.1 Initial measurement of right-of-use assets

At the commencement date, the parent company measures a right-of-use asset at cost. The cost of a right-of-use asset comprises: the amount equal to the lease liability at its initial recognition, lease payments made at or before the commencement of the lease (less any lease incentives received), any initial direct costs incurred by the parent company and an estimate of costs to be incurred by the parent company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The parent company incurs obligation for these costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. The parent company recognises these costs as part of the cost of right-of-use asset when the parent company incurs an obligation for these costs.

1.4.2 Subsequent measurement of right-of-use assets

Subsequent to the initial recognition, the parent company measures a right-of-use asset using the cost model. Under the cost model, the parent company measures a right-of-use asset at cost: less any depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability.

If the lease ownership of the underlying asset is transferred to the parent company by the end of the lease term or if the cost of the right-of-use asset reflects that the parent company will exercise a purchase option, the parent company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the parent company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Right-of-use assets are depreciated on a straight-line basis.

The parent company presents the right-of-use assets separately from property, plant and equipment in the Statement of financial position.

1.5 Investments in subsidiaries

Investments in subsidiaries are stated in the Statement of financial position at acquisition cost less impairment loss, when the investment's carrying amount exceeds its estimated recoverable amount. An adjustment to the value is made to write-down the difference as expense in the Statement of profit or loss and other comprehensive income. If the basis for the write-down can no longer be justified at the Statement of financial position date, it is reversed. If there is a present obligation to cover a deficit in subsidiaries, a provision is recognised for this.

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1.6.1 Financial assets

The parent company classifies its financial assets into the following three categories:
(i) financial assets subsequently measured at amortised cost;
(ii) financial assets subsequently measured at fair value through other comprehensive income (hereinafter 'FVOCI'); and
(iii) financial assets subsequently measured at fair value through profit or loss (hereinafter 'FVTPL').

Transaction costs comprise all charges and commissions that the parent company would not have paid if it had not entered into an agreement on the financial instrument.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (hereinafter 'SPPI' on the outstanding principal amount. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Interest income calculated on these financial assets is recognised as finance income and amortised using the effective interest rate method. Any gain or loss arising from the write-off of assets is recognised in the Statement of profit or loss and other comprehensive income. Impairment losses are accounted for as other expenses in the Statement of profit or loss and other comprehensive income.

Subsequent to their initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the parent company applies when managing its financial assets and the characteristics of cash flows from these assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the parent company. The intentions of the parent company's management regarding separate instruments have no effect on the applied business model. The parent company may apply more than one business model to manage its financial assets. In view of the business model applied for managing the group of financial assets, the accounting for financial assets, except for financial assets subsequently measured at FVOCI as the parent company does not have these kind of assets, is as follows:

1.6.1.1 Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest rate (hereinafter 'EIR') method and are subject to impairment. Amortised cost is the amount at which the financial instrument was recognised at initial recognition minus principal repayments, plus accrued interest, and, for financial assets, minus any write-down of expected credit losses.

Financial assets are recognised as current assets, except for maturities greater than 12 months after the date of the Statement of financial position, in which case they are classified as non-current assets.

1.6.1.2 Financial assets at FVTPL

Debt and equity instruments that do not meet the criteria of financial assets to be measured at amortised cost or financial assets to be measured at FVOCI are stated as financial assets to be measured at FVTPL.

The parent company classifies financial assets as assets measured at FVTPL if this eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising gains or losses thereof on different bases. A gain or loss in the fair value measurement of debt investment is recognised in profit or loss of the Statement of profit or loss and other comprehensive income in the period in which it arises. The parent company classifies in this category of investments to equity instruments that do not meet the SPPI conditions.

1.6.1.3 Effective interest method

The effective interest method is used in the calculation of the amortised cost of a financial asset and in the allocation of the interest revenue to profit or loss in the Statement of profit or loss and other comprehensive income over the relevant period.

EIR is the rate that exactly discounts the estimated future cash inflows through the expected life of the financial asset to the gross carrying amount of the financial asset that shows the amortised cost of the financial asset, before adjusting for any loss allowance. When calculating EIR, the parent company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. The calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the EIR, the transaction costs and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or a group of financial instruments), the parent company uses the contractual cash flows over the full contractual term of the financial instrument (or the group of financial instruments).

1.6.1.4 Impairment of financial assets – expected credit losses (hereinafter 'ECL')

The parent company assesses, on a forward-looking basis, the ECL associated with its debt instruments carried at amortised cost regardless of whether there are any impairment indicators.

Credit losses incurred by the parent company are calculated as the difference between all contractual cash flows that are due to the parent company in accordance with the contract and all the cash flows that the parent company expects to receive (i.e., all cash shortfalls) discounted at the original EIR. The parent company estimates cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument, including cash flows from the sale of the collateral held or other enhancements that are integral credit to the contractual terms.

ECL are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, the reasonable and supportable information about the past events and current conditions and the reasonable and supportable forecasts of future events and economic conditions at the reporting date.

Lifetime expected credit losses are ECL that result from all possible default events over the period from the date of initial recognition of a financial asset to the subsequent date of settlement of the financial asset or the ultimate write-off of the financial asset.

The parent company seeks for the lifetime expected credit losses to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently, when reasonable and supportable information that is more forward-looking than the past due information is available without undue cost or effort, it is used to assess the changes in credit risk. ECL are recognised by taking into consideration individually or collectively assessed credit risk of loans granted, trade and other receivables. Credit risk is assessed based on all reasonable information, including future-oriented information.

The parent company assesses the impairment of amounts receivable individually or collectively, as appropriate.

ECL for receivables (other than trade receivables) are calculated as the following:
- ECL for receivables from the Group companies are calculated using an individual assessment;
- ECL for other receivables, prepayments and accrual of income are calculated using an individual assessment.

The parent company's management performs the assessment on an individual basis, reflecting the possibility of obtaining information on the credit history of a particular debtor, its financial position as at the date of assessment, including the forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling the management to make a judgement on the recognition of lifetime ECL in respect of that particular borrower. In the absence of reliable sources of information on the credit history of a particular debtor, its financial position as at the date of the assessment, including the forward-looking information, the parent company assesses the debt on a collective basis.

Recognition stages of ECL:
1. upon granting of a loan, the parent company recognises ECL for the twelve-month period. Interest income from the loan is calculated on the carrying amount of financial assets without adjusting it by the amount of the ECL;
2. upon establishing that the credit risk related to the borrower has significantly increased, the parent company accounts for the lifetime expected credit losses of the loan agreement. All lifetime expected credit losses of a financial instruments are calculated only when there is a significant increase in the credit risk relating to the borrower. Interest income from the loan is calculated on the carrying amount of financial assets without adjusting it by the amount of the ECL;
3. where the parent company establishes that the recovery of the loan is doubtful, the parent company classifies this loan as credit-impaired financial assets (doubtful loans and receivables). The interest income from the loan is calculated on the carrying amount of financial assets, which is reduced by the amount of the ECL.

In stage 2, an assessment of the significant deterioration in the borrower's financial situation is performed by comparing the financial situation at the time of the assessment and the financial situation at the time of issuing the loan.

The latest point at which the parent company recognises all lifetime expected credit losses of the loan granted is identified when the borrower is late to pay a periodic amount or the total debt for more than 90 days. In case of other evidence available, the parent company accounts for all lifetime expected credit losses of the loan granted regardless of the more than 90 days past due presumption.

1.6.1.5 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include the observable data about the following events:
(a) a significant financial difficulty of the borrower;
(b) a breach of contract, such as a default or past due event for more than 90 days;
(c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties;
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

1.6.1.6 Derecognition of financial assets

A financial asset (or, where applicable, a part of financial asset or a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the right to receive cash flows from the asset is retained, but an obligation is assumed to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the rights to receive cash flows from the asset are transferred and either (a) substantially all the risks and rewards of the asset have been transferred, or (b) substantially all the risks and rewards of the asset have neither been transferred nor retained, but the control of the asset has been transferred:
  - if control is not retained, the financial asset is derecognised and any rights and obligations created or retained in the transfer are recognised separately as assets or liabilities;
  - if control is retained, it shall continue to recognise the financial asset is continued to be recognised to the extent of continuing the involvement in the financial asset.

Whether the control of the transferred asset is retained depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the control is not retained. In all other cases, the control is retained.

1.6.2 Financial liabilities and equity instruments issued

1.6.2.1 Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans, bonds and payables. All financial liabilities are recognised initially at fair value and, in the case of loans, bonds and payables, as net of directly attributable transaction costs.

1.6.2.2 Subsequent measurement

For the purposes of subsequent measurement, financial liabilities are classified in two categories:
- financial liabilities at FVPL (there were no cush financial liabilities);
- financial liabilities at amortised cost (loans, bonds and other payables not measured at FVTPL).

1.6.2.3 Financial liabilities at amortised cost

All financial liabilities of the parent company are attributed to this category. After initial recognition, interest-bearing loans and bonds are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised as profit or loss in the Statement of profit or loss when the liabilities are derecognised as well as through the effective interest amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees, or costs that are an integral part of the effective interests. The effective interests' amortisation is included as finance costs in the Statement of profit or loss.

This category generally applies to trade payables, interest-bearing loans and bonds. The parent company's financial liabilities include the following:

1.6.2.4 Classification

Financial liabilities are classified as current liabilities unless the parent company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

If a financing agreement concluded before the Statement of financial position date proves that the liability was non-current by its nature as of the date of the Statement of financial position, that financial liability is classified as non-current.

1.6.2.5 Financial guarantee contracts

The parent company provides financial guarantees to subsidiaries in relation to loans taken from banks or other liabilities and receives a consideration, which is recognised in the Statement of profit or loss and other comprehensive income on an accrual basis. The fair value of financial guarantee is determined based on the present value, which corresponds to the reduced payments that subsidiaries would pay to banks if the guarantee would not be received from the parent company. If the consideration corresponds to a reduction of payments, the parent company does not account for financial guarantees as their fair value is approximate to 0, while subsidiaries recognise the liability at fair value including the value of the guarantee provided. If the consideration is at lower amount than the reduction of payments, the parent company recognise the fair value of the financial guarantee as 'Investment in subsidiary' and 'Financial guarantee obligation' accordingly in its separate financial statements, while the subsidiaries recognise the liability without the guarantee and the difference recognised as a capital contribution. The methods to determine the expected credit losses for financial guarantees contracts correspond to the ones used as for financial assets (see Note 1.7.1.4). Financial guarantee contracts are measured as the higher of the expected credit loss and as the amount that is initially recognised less any cumulative amount of the income/amortisation recognised. No expected credit losses were identified as at 31 December 2023.

1.6.2.6 Recognition of instruments as debt or equity instruments

Debt or equity instruments are classified as financial liabilities or equity based on the substance of the arrangement.

1.6.2.7 Equity instruments

Equity instrument is any contract that evidences an interest in the assets of the parent company after deducting all of its liabilities. Equity instruments are recorded at the value of the proceeds received, net of direct issue costs. Share premium represents the difference between the nominal value of shares and the proceeds received.

1.6.2.8 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in the Statement of profit or loss and other comprehensive income.

1.7 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.
For the purposes of the Statement of cash flows, cash and cash equivalents comprise the cash on hand deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are presented under the current liabilities in the Statement of financial position.

1.8 Lease liabilities

At the commencement date of the lease, the parent company recognises the lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include the fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate and the amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option that is reasonably certain to be exercised by the parent company and the payments of penalties for terminating the lease, if the lease term reflects the parent company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the parent company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or a rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

1.8.1 Short-term leases and leases of low-value assets

The parent company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The parent company also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

1.9 Employee benefits

1.9.1 State plans

The parent company participates only in the state plans. The state plans are established by legislation to cover all entities and are operated by national or local government or by another body (for example, in the case of the Group, the State Social Security Fund). State plans are a defined benefit plan under which the Group pay fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to the employee service in the current and prior periods. These contributions are recognised as an expense on an accrual basis and are included in the remuneration expenses.

1.10 Related parties

Related parties are defined as follow:

- the Group companies;
- the parent company's controlling shareholders or those who have significant influence;
- associated companies;
- state-controlled companies and their subsidiaries (only significant transactions are being disclosed with such companies);
- the Ministry of Finance of the Republic of Lithuania along with agencies and enterprises that are attributable to the governance of the decisions (only significant transactions are being disclosed with such companies);
- the key management personnel and close members of that personnel's family and their controlled enterprises and companies.

1.11 Fair value

Fair value is defined by IFRS as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The parent company measures financial instruments, such as derivatives, and non-financial assets, such as investment properties, at fair value at each Statement of financial position date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability;
  or
- in the absence of principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which the fair value is measured or disclosed in the financial statements are categorised within fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1: fair value of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value of assets is based on other observable market data, directly or indirectly;
- Level 3: fair value of assets is based on non-observable market data.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing their categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Responsibility statement, information on the auditors and auditors reports

10.1 Responsibility statement

27 February 2024

Referring to the provisions of the Article 12 of the Law on Securities of the Republic of Lithuania and the Rules of disclosure of information of the Bank of Lithuania, we, Darius Maikštėnas, Chief Executive Officer at AB "Ignitis grupė", Jonas Rimavičius, Chief Financial Officer at AB "Ignitis grupė", and Paulius Žukovskis, Head of Financial Statements and Consultations at UAB "Ignitis grupės paslaugų centras", acting under Decision No 24_GSC_SP_0004 of 10 January 2024, hereby confirm that, to the best of our knowledge, AB "Ignitis grupė" consolidated and the parent company's financial statements for the year ended 31 December 2023 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of AB "Ignitis grupė" consolidated and the parent company's assets, liabilities, financial position, profit or loss, and cash flows for the period, the Integrated Annual Report includes a fair review of the development and performance of the business as well as the condition of AB "Ignitis grupė" and it's group companies together with the description of the principle risks and uncertainties it faces.

Darius Maikštėnas
Chief Executive Officer

Jonas Rimavičius
Chief Financial Officer

Paulius Žukovskis
UAB „Ignitis grupės paslaugų centras",
Head of Financial Statements and Consultations,
acting under Decision No 24_GSC_SP_0004
(signed 10 January 2024)

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10.2 Information of the auditors

Overview

“KPMG Baltics”, UAB on 30 March 2023 has been reappointed as the auditor by the General Meeting of Shareholders of the parent company to perform the audit of the financial statements of the parent company and the consolidated financial statements of the Group for the year 2023–2027. Based on the previous agreement, KPMG also audited the parent company’s financial statements, the Group’s consolidated financial statements and the Group companies financial statements for the years of 2021 and 2022.

Worth noting that all independent auditor related tenders are carried out according to the prevailing best practices. Additionally, as public procurement law requirements are applicable to the parent company, all audit tenders are carried out in accordance to them. The key criteria of implementing public tenders is to ensure competitiveness and accordingly the only specific audit selection criteria eligible to be included is an experience in auditing energy sector companies. Finally, the whole audit selection process is supervised by the Audit Committee and the independent auditor is appointed by the decision of the General Meeting of Shareholders of the parent company and subsequently by the General Meeting of Shareholders of each Group company.

Independent auditors and financial period during which audit services have been provided

2021–2023
“KPMG Baltics”, UAB Lvovo St. 101, LT-08104, Vilnius Lithuania

Services and fees

During the period of 2022–2023, the following services have been provided to the Group by the independent auditors and its international partners.

Independent auditor’s services and expenses incurred for the indicated period, EURk

	2023	2022
Annual financial statements audit	715	567
Interim financial statements audit	26	26
Assurance services	38	-
Other[1]	1	45
Total	**780**	**638**

[1] *Other services mainly consists of mergers and acquisitions related services.*

Based on the Group’s policy the annual fee for non-audit services provided by our statutory auditor cannot exceed the annual fee for statutory audit services measured at Group level. The cap may be exceeded subject to approval by the Audit Committee of the parent company.

10.3 Independent auditor's report

Legal notice

In compliance with article 4 of the Transparency Directive introduced by the European Commission, the Group files annual report in the European Single Electronic Format (ESEF) using the XHTML format tagging consolidated financial statements, including notes, using Inline eXtensible Business Reporting Language (iXBRL), which is available here. For all intents and purposes, other than the XHTML annual report document is considered as nonofficial version and ESEF version prevails in case of any questions or conflicts. Accordingly, the independent auditor's report on Integrated Annual Report 2023 filed in ESEF, is presented below.

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Independent Auditor's Report

To the Shareholders of AB "Ignitis grupė"

Report on the Audit of the Separate and the Consolidated Financial Statements

Opinion

We have audited the separate financial statements of AB "Ignitis grupė" ("the Company") and the consolidated financial statements of AB "Ignitis grupė" and its subsidiaries ("the Group") contained in the file abignitisgrupe-2023-12-31-en.zip (ParsePort generated hashcode: 7WeM034QHDInyh8=). The Company's separate and the Group's consolidated financial statements comprise:

- the separate and the consolidated statement of financial position as at 31 December 2023,
- the separate and the consolidated statement of profit or loss for the year then ended,
- the separate and the consolidated other comprehensive income for the year then ended,
- the separate and the consolidated statement of changes in equity for the year then ended,
- the separate and the consolidated statement of cash flows for the year then ended, and
- the notes to the separate and the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the non-consolidated financial position of the Company and the consolidated financial position of the Group as at 31 December 2023, and of their non-consolidated and consolidated financial performance and their non-consolidated and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards, as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities ui standards are further described in the Auditor's Responsibilities for the Audit of the Separate and Consolidatec Statements section of our report. We are independent of the Company and the Group in accordance with the In Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) the International Ethics Standards Board for Accountants and the requirements of the Law on Audit of Finan Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fu other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lith the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Each audit matter and our respective response are described below.

Company code: 111494971
VAT code: LT114949716

Revenue recognition related to the estimation of overdeclaration /underdeclaration of electricity and natural gas usage (consolidated financial statements)

We refer to the financial statements:

Revenue recognized in the consolidated statement of profit or loss in 2023 amounts to EUR 2,542.4 million.

Material accounting policies – 1.4 “Revenue from contracts with customers”; financial disclosures - Note 6 “Revenue from contracts with customers”, Note 27 “Deferred income and advances received”.

<table>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group’s electricity revenue and natural gas revenue depend on declarations of electricity consumed by private customers together with automated readings of meters from business and part of private customers. The Group has identified that private customers that do not have automated meter readings tend to over/underdeclare the consumption of electricity and natural gas in the last months of the year.

At each reporting date, the Group estimates the amount of the overdeclared / underdeclared consumption in order to calculate the actually earned revenue to be recognized in the statement of profit or loss and other comprehensive income for the year.

The estimate takes into account, among other things, historical consumption by private customers and the Group’s assessment of technological losses in the electricity grid and gas network at the reporting date.

Due to the materiality of the recognized revenue and judgements of the management involved in revenue recognition above, the area required our increased attention in the audit and as such was determined to be a key audit matter.</td><td>Our audit procedures in the area included, among others:

• Obtaining understanding of and evaluating the Group’s revenue recognition process;

• Assessing whether the revenue recognition accounting policy applied to all revenue streams complies with the requirements of the relevant financial reporting framework;

• For the estimation of revenue overdeclaration/underdeclaration of electricity and natural gas usage:
- Evaluating the design and implementation of key controls over the revenues recognition processes;
- Testing the internal consistency, underlying formulas and mathematical accuracy of the calculation of over/underdeclaration impact;
- Challenging the reasonableness of the Group’s key assumptions and judgment used in estimating the overdeclared/underdeclared usage of electricity and natural gas, by tracing main inputs to supporting evidence;
- Assessing completeness and accuracy of estimated amount by performing independent analytical analysis of overdeclared consumption based on the key performance indicators, including historical revenue and technological grid losses information, changes in approved tariffs, and comparing result to actual amounts recognised;

• Evaluating whether the disclosures in the consolidated financial statements in respect of the overdeclared/underdeclared usage of electricity and natural gas satisfy the requirements of the relevant financial reporting standards.</td></tr>
</table>

Fair value assessment of Property, plant and equipment used in electricity distribution (consolidated financial statements)

We refer to the financial statements:

The carrying amount of property, plant and equipment used in electricity distribution as at 31 December 2023: EUR 1,691.6 million.

Material accounting policies – Note 1.6 “Property, plant and equipment”; financial disclosures - Note 12 “Property, plant and equipment”.

The key audit matter	How the matter was addressed in our audit
Property, plant and equipment (thereafter “PPE”) allocated to electricity distribution cash generating unit („CGU”) is accounted for at revalued amounts less subsequent accumulated depreciation and impairment losses. In 2021, the Group performed a revaluation of property, plant and equipment of the electricity PPE and accounted for revaluation results. IAS 16 requires the Group to perform a further revaluation of assets, when the fair value of a revalued asset differs materially from its carrying amount. As disclosed in Note 12.1.1. to the financial statements, the management of the Group assessed possible change in fair value by using discounted cashflow model. We identified determination of fair value of PPE as a focus area in our audit because of the significance of the amounts involved, the judgments required in selection of appropriate valuation methods and estimation uncertainty related to assumptions made by the management of the Group. Accordingly, we have identified this area as a key audit matter.	Our audit procedures performed included: • Assessing compliance with applicable accounting standards; • Involving our internal valuation specialists who assisted us at: - Assessing the appropriateness of the methodology applied by the management of the Group, - Challenging the key assumptions used in the discounted cash flow model by comparing sales volumes and profit margins to historical results and regulation data as well as comparing the forecasted growth rates and the discount rate to the ones used in the industry and set by the regulator, - Considering sensitivity of the discounted cash flow model to changes in key assumptions to understand the impact of such changes on levels of headroom; the key assumptions included sales volumes, profit margins, forecasted growth rate and discount rate; • Evaluating the budgeting process (upon which forecasts are based) by comparing the actual results for the year with original forecasts and taking these observations into consideration into the sensitivity analysis performed; • Checking mathematical accuracy of the discounted cash flow model; • Considering adequacy of disclosure in the Group’s consolidated financial statements in respect to the assessment of fair value of PPE allocated to electricity distribution cash generating unit.

Allowances for impairment losses in trade receivables (consolidated financial statements)

We refer to the financial statements:

The carrying value of trade receivable in the consolidated statement of financial position as at 31 December 2023 amounts to EUR 265.9 million. The total impairment loss recognized in the consolidated statement of profit or loss for the year ended 31 December 2023 amounts to EUR 0 million.

Material accounting policies – Note 1.9 “Financial assets”; financial disclosures – Note 36 “Financial risk management”, Note 20 “Trade receivables”.

<table>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
Impairment allowances represent Management’s best estimate of the expected credit losses within the trade receivables at the reporting date. We focused on this area as the determination of impairment allowances requires a significant amount of judgment over the amounts of any such impairment.
Trade receivables are assessed by the Group for impairment at each reporting date on a collective and individual basis. For those trade receivables, measured on collective basis, the Management measures the loss allowance at an amount equal to expected credit losses (ECLs) being a probability weighted estimate of credit losses. Credit losses are measured as the present value of expected cash shortfalls (i.e. the difference between the cash flows due to the Group and the cash flows expected to be received). The estimate takes into account, among other things, repayment history and past credit loss experience and an assessment of both the current and forecast general economic conditions at the reporting date.
Accordingly, the key areas of estimation uncertainty and judgement associated with recognition of impairment allowances for trade receivables are:

Assumptions used to assess credit risk for a given exposure and the expected future cash flows from the customer;
Timely identification of exposures with significant increase in credit risk or those credit impaired (defaulted).

Due to the magnitude of the amounts involved, together with the complexity of judgements and assumptions required in estimating expected credit losses, the area required our increased attention in the audit and was determined to be a key audit matter.
</td><td>
Our audit procedures in the area included, among others:

Assessing the appropriateness of the Group’s impairment methodology against the relevant financial reporting requirements;
Independently assessing the relevant forward-looking information and macroeconomic forecasts used in the ECL assessment by inspecting publicly available information, our knowledge of business and through discussions with Management;
Assessing the accuracy and completeness of the Group’s ECL estimates at 31 December 2023 including:

Assessing the key impairment model parameters, by reference to the Group’s own historical credit loss experience, our understanding of the business and current economic trends and expectations;
Performing a retrospective assessment of the historical accuracy of the Management Board’s impairment assumptions and estimates, including estimated loss rates, against actual outcomes;

Evaluating whether the disclosures in the financial statements in respect of the expected credit losses for trade receivables satisfy the requirements of the relevant financial reporting standards.

</td></tr>
</table>

Business combination (consolidated financial statements)

We refer to the financial statements:

Identifiable net assets acquired as part of business combinations recognized in the consolidated statement of financial position as at 31 December 2023 amounts to EUR 196 million. Goodwill arising from the acquisition of subsidiaries amounts to EUR 10.6 million.

Material accounting policies – 1.2.2 "Business combinations"; financial disclosures - Note 32.5 "Business combinations".

The key audit matter	How the matter was addressed in our audit
The assets, liabilities and contingent liabilities acquired were stated at their fair values which were determined by the Group during purchase price allocation and fair value determination exercizes. This resulted in net assets measured at fair value in the amount of EUR 196 million. Management has the discretion to make judgements, estimates and assumptions in allocating the purchase price and determining fair value. Changes in these assumptions could have a significant effect on the purchase price allocation and fair values. Due to the matter described above, we considered the business combination and in particular the purchase price allocation and fair value determination as a key audit matter in our audit.	Among others, we performed the following audit procedures: • We have gained knowledge of the management process related to acquisition accounting. We analyzed the underlying documentation, terms and conditions of the transaction and assessed the accounting treatment of the consideration transferred and the assets and liabilities acquired in accordance with IFRS 3 'Business Combinations'. • We read the contracts signed by the Group in 2022 and 2023 where the Group acquired controlling stake in SP Venta SIA, BRVE SIA, CVE SIA, UAB "Vėjas LT", UAB „WINDLIT". • We have engaged our valuation specialists to assist us in reviewing the Group's purchase price allocaion and in assessing the methodology used to determine the assets acquired and liabilities assumed, in particular: - the methodologies and key assumptions, such as discount rates, used in the purchase price allocation of the acquired business, - a reconciliation of the key inputs used in the fair value measurement and purchase price allocation models, - checking the mathematical accuracy of calculations used in fair value measurement and purchase price allocation models. • We assessed the adequacy of disclosures of financial information, including disclosure of key assumptions and estimates based on requirements of the relevant financial reporting standard.

Other Information

The other information comprises the information included in the 2023 Integrated Annual report (pages 5-367), including Sustainability report (Corporate social responsibility report) (pages 163-310), Governance report (pages 87-142), Remuneration report (pages 143-162), but does not include the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the separate and consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the 2023 Integrated Annual report, including Governance Report and Remuneration Report, for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements and whether 2023 Integrated Annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of the separate and consolidated financial statements, in our opinion, in all material respects:

- The information given in the 2023 Integrated Annual report, including Governance Report and Remuneration Report, for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and
- The the 2023 Integrated Annual report, including Governance Report and Remuneration Report, has been prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania.

We also need to check that the Sustainability report (Corporate Social Responsibility Report) has been provided. If we identify that Sustainability report (Corporate Social Responsibility Report) has not been provided, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor’s Responsibilities for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s and the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s and the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Under decision of the general shareholders‘ meeting we were appointed on 27 September 2021 for the first time to audit the Company‘s and the Group's separate and consolidated financial statements. Our appointment to audit the Company‘s and the Group's separate and consolidated financial statements was renewed on 30 March 2023 under decision of the general shareholders‘ meeting, and the total uninterrupted period of engagement is 3 years.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the additional report which we have submitted to the Company and the Group and their Audit Committee.

We confirm that in light of our knowledge and belief, services provided to the Company and the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In addition to services provided to the Company and the Group in the course of audit and disclosed in the Integrated Annual report, we have provided translation of the financial statements and limited assurance services on ESG information.

Report on the compliance of format of the separate and consolidated financial statements with the requirements for European Single Electronic Reporting Format

We have been engaged based our agreement by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European single electronic reporting format of the separate and consolidated financial statements, including Integrated Annual management report, for the year ended 31 December 2023 (the "Single Electronic Reporting Format of the separate and consolidated financial statements") contained in the file abignitisgrupe-2023-12-31-en.zip (ParsePort generated hashcode: 7WeM034QHDInyh8).

Description of a subject and applicable criteria

The Single Electronic Reporting Format of the separate and consolidated financial statements has been applied by the management of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Single Electronic Reporting Format of the separate and consolidated financial statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Single Electronic Reporting Format of the separate and consolidated financial statements and, in our view, these requirements constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibilities of management and those charged with governance

The management of the Company is responsible for the application of the Single Electronic Reporting Format of the separate and consolidated financial statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Single Electronic Reporting Format of the separate and consolidated financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Single Electronic Reporting Format of the separate and consolidated financial statements complies with the ESEF Regulation.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (the "ISAE 3000 (R)"). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the separate and consolidated financial statements is prepared, in all material aspects, in accordance with the applicable requirements. Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (R) will always detect the existing material misstatement (significant non-compliance with the requirements).

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Single Electronic Reporting Format of the separate and consolidated financial statements was applied, in all material aspects, in accordance with the applicable requirements and such application is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Single Electronic Reporting Format of the separate and consolidated financial statements, including the preparation of the XHTML format and marking up the separate and consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the separate and consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of single electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Single Electronic Reporting Format of the separate and consolidated financial statements for the year ended 31 December 2023 complies, in all material respects, with the ESEF Regulation.

The engagement partner on the audit resulting in this independent auditor's report is Rokas Kasperavičius.

On behalf of KPMG Baltics, UAB

Rokas Kasperavičius
Partner
Certified Auditor

Vilnius, the Republic of Lithuania
28 February 2024

10.4 Independent limited assurance report on the selected sustainability indicators

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Independent Practitioners' Assurance Report to the Management of AB "Ignitis grupė"

We have been engaged by the Management of AB "Ignitis grupė" (hereafter "Ignitis Group") to provide limited assurance on selected corporate sustainability indicators presented in Ignitis Group's Sustainability Report 2023 (hereafter "Corporate Sustainability Information") for the year ended on 31 December 2023.

The scope of our work was limited to assurance on the Corporate Sustainability Information for the year ended 31 Dec 2023. This assurance does not extend to the data from previous years or to forward-looking information.

The Corporate Sustainability Information consists of the following indicators:

— Non-financial key performance indicators

- GHG emissions of other (biological) origin
- Employee Satisfaction Indicator
- Trust line reports

— GRI disclosures

- GRI 305: Emissions
  - 305-1: Direct (Scope 1) GHG emissions
  - 305-2: Energy indirect (Scope 2) GHG emissions
  - 305-3: Other indirect (Scope 3) GHG emissions
  - 305-4: GHG emissions intensity
- GRI 403: Occupational Health and Safety
  - 403-9: Work-related injuries
  - 403-9: Work related deaths
- GRI 405: Diversity and Equal Opportunity
  - 405-1: Diversity of governance bodies and employees

— EU Taxonomy Regulation indicators

- Turnover, capital expenditure and operating expenditure disclosures for taxonomy-eligible and taxonomy-aligned economic activities.

Management's responsibilities

The Management of Ignitis Group is responsible for the preparation and presentation of the Corporate Sustainability Information in accordance with the reporting criteria, i.e. GRI Sustainability Reporting Standards and the Taxonomy Regulation (EU 2020/852) and the EU Commission's Delegated Regulations (EU 2021/2178 and EU 2023/2486).
Management is also responsible for determining Ignitis Group's objectives with regard to sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.
The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, management has disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "Disclosures under the EU Taxonomy Regulation" of the consolidated non-financial report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our assurance engagement on the Corporate Sustainability Information in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board IAASB. That

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Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Corporate Sustainability Information is free from material misstatement. The nature, timing and extent of the assurance procedures selected depend on professional judgement, including the assessment of material misstatement due to irregularity or error. We believe that the evidence we obtain is sufficient and appropriate to provide a basis for our conclusion on limited assurance.
We are independent of the company in accordance with the ethical requirements applicable in Lithuania to the engagement we have undertaken and have fulfilled our other ethical obligations under those requirements.
KPMG Baltics applies International Standard on Quality Management ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures performed

A limited assurance engagement on Corporate Sustainability Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Corporate Sustainability Information, and applying analytical and other evidence gathering procedures, as appropriate. In the engagement, we have performed the following procedures, among others:

- Interviewed the members of Ignitis Group's senior management and relevant staff responsible for providing the Corporate Sustainability Information;
- Assessed the application of the GRI Sustainability Reporting Standards reporting principles in the presentation of the Corporate Sustainability Information;
- Assessed data management processes, information systems and working methods used to gather and consolidate the Corporate Sustainability Information;
- Reviewed the presented Corporate Sustainability Information and assessed its quality and reporting boundary definitions and;
- Assessed the Corporate Sustainability Information's data accuracy and completeness through a review of the original documents and systems on a sample basis and;
- Conducted site session to review the Corporate Sustainability Information on site.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.
We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.
Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the Corporate Sustainability Information subject to the limited assurance engagement is not prepared, in all material respects, in accordance with company's reporting guidelines and the GRI Sustainability Reporting Standards and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder.

On behalf of KPMG Baltics, UAB

Rokas Kasperavičius
Partner

Vilnius, the Republic of Lithuania
27 February 2024

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Independent Practitioners' Assurance Report to the Management of AB "Ignitis grupė"

We have been engaged by the Management of AB "Ignitis grupė" (hereafter "Ignitis Group") to provide limited assurance on selected corporate sustainability indicator presented in Ignitis Group's Sustainability Report 2023 (hereafter "Corporate Sustainability Information") for the year ended on 31 December 2023.

The Corporate Sustainability Information consists of the following indicator:

— Key performance indicator:
  - The share of Taxonomy-eligible and Taxonomy- aligned adjusted EBITDA

The scope of our work was limited to assurance on the Corporate Sustainability Information for the year ended 31 Dec 2023. This assurance does not extend to the data from previous years or to forward-looking information. And the scope of our work was limited to assurance on the accuracy of the calculation of the Corporate Sustainability Information in accordance with the applied accounting policies developed by Ignitis Group excluding the assessment of the preparation and presentation of the Corporate Sustainability Information in accordance with the Taxonomy Regulation (EU 2020/852) and the EU Commission's Delegated Regulations (EU 2021/2178 and EU 2023/2486).

Management's responsibilities

Management of Ignitis Group is responsible for:

— preparing the Corporate Sustainability Information that is free from material misstatement in accordance with accounting policies and for the information contained therein

— designing, implementing, and maintaining internal control over information relevant to the preparation of the Corporate Sustainability Information that is free from material misstatement, whether due to fraud or error

— establishing objective accounting policies for preparing the Corporate Sustainability Information

— measuring and reporting the information in the Corporate Sustainability Information based on the accounting policies

Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our assurance engagement on the Corporate Sustainability Information in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board IAASB. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Corporate Sustainability Information is free from material misstatement. The nature, timing and extent of the assurance procedures selected depend on professional judgement, including the assessment of material misstatement due to irregularity or error. We believe that the evidence we obtain is sufficient and appropriate to provide a basis for our conclusion on limited assurance.

We are independent of the company in accordance with the ethical requirements applicable in Lithuania to the engagement we have undertaken and have fulfilled our other ethical obligations under those requirements. KPMG Baltics applies International Standard on Quality Management ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures performed

A limited assurance engagement on Corporate Sustainability Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Corporate Sustainability Information, and applying analytical and other evidence gathering procedures, as appropriate. In the engagement, we have performed the following procedures,

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among others:

- Interviewed the members of Ignitis Group's relevant staff responsible for providing the Corporate Sustainability Information;
- Assessed data management processes, information systems and working methods used to gather and consolidate the Corporate Sustainability Information;
- Assessed the accuracy of the Corporate Sustainability Information's calculations through a review of the original calculation documents and;
- Conducted site session to review the Corporate Sustainability Information on site.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.
We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.
Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the Corporate Sustainability Information subject to the limited assurance engagement is not prepared and calculated, in all material respects, in accordance with applied accounting policies developed by Ignitis Group as stated on pages 280-282.

On behalf of KPMG Baltics, UAB

Rokas Kasperavičius
Partner

Vilnius, the Republic of Lithuania
27 February 2024

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ignitis group